

# FINANCIAL TIMES

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## Fire destroys compound of religious cult

Fire yesterday ripped through the Waco, Texas, compound where religious zealot David Koresh and his cult members have been barricaded for 51 days. The fire, which the White House said was deliberately started by the cult, raised fears that they might have been attempting mass suicide or mass escape from the FBI agents who have been surrounding them. As the blaze raged, the FBI agents tried to rescue the 96 cult members still inside. At least 20 were said to have left the compound. Earlier the FBI had tried to end the siege by firing teargas into the compound.

The Bank of Japan was standing by to intervene in foreign exchange markets this morning to try to curb the yen's rise against the US dollar which threatens to harm Japanese export growth. It is thought the BoJ is preparing to defend a rate of ¥110 to the dollar. Page 18; Money supply, Page 6; Currencies, Page 36

## Sick and wounded flown from Srebrenica

British and French helicopters from the UN force airlifted more than 100 sick and wounded people from the besieged Bosnian town of Srebrenica. They were taken to Tuzla, where a French soldier (left) is pictured carrying a wounded boy to an ambulance. Meanwhile UN peacekeepers in Srebrenica asked the Bosnian Serbs to extend Wednesday's deadline for dismantling Muslim forces. Page 18; Tuzla short of food, Page 2

## US-British air routes: Britain and the US have set themselves a one-year deadline to replace the rules on air traffic between the two countries.

UK transport secretary John MacGregor and Federico Pena, his US counterpart, agreed to reconvene talks on the rules next March.

Malaysia has reached outline agreement with local businesses and Britain's North West Water to build and run a M\$5bn-plus (US\$1.5bn) sewerage scheme. Page 19

Chrysler, the US carmaker which is pulling out of financial difficulties, underscored the success of its latest models with first-quarter earnings of \$530m compared with a \$30m loss for the same period last year. Page 19

UK growth: Chancellor of the exchequer Norman Lamont delivered his most upbeat assessment for months of UK economic prospects. He predicted Britain would grow faster than other European economies this year and next. Page 18

Call for cuts: The European Commission called for a 2 percentage point cut in short-term EC interest rates, increasing pressure for an easing of German monetary policy. Page 2

Strike looms in eastern Germany: Eastern Germany's steel and electrical sectors moved nearer to an all-out strike on May 3 after powerful engineering union IG Metall decided to hold ballots in support of pay claims. Page 18

Chase Manhattan: The big New York bank involved in restructuring turned in higher first-quarter earnings. It also revealed plans to raise \$750m of new equity capital while writing off \$1bn of commercial property loans. Page 19

Istanbul stocks plunge: Stock prices crashed more than 10 per cent in Istanbul following the death of Turkish president Turgut Ozal at the weekend. Commentators tipped prime minister Suleyman Demirel for the presidency. Page 2

Hong Kong plan rejected again: China repeated that Hong Kong governor Chris Patten's political reform proposals could not form the basis of long-awaited talks due to start between London and Beijing on Thursday.

Fatah man killed: Gunmen bring pistols with silencers murdered Ibrahim Abdel Magid Turkiyeh, an official of the Palestine Liberation Organisation chairman Yasser Arafat's Fatah group, in southern Lebanon. Hopes rise for talks. Page 6

Nigerian jets attack convoys: Nigerian jets attacked a relief convoy in north-east Liberia. No one was injured. The convoy was bound for Ganta, the Liberian enclave controlled by rebel leader Charles Taylor.

Wedding days: Japan's Imperial Household Agency decreed June 9 the day for crown prince Naruhito's wedding to former career diplomat Masako Owada.

STOCK MARKET INDICES	
FT-SE 100	2690.0 (+5.6)
Yield	4.83
FT-SE 100	1164.59 (+4.98)
FT-Air Share	1387.43 (+0.1%)
Nikkei	20,112.34 (-185.52)
New York Composite	3488.78 (+17.83)
Dow Jones Ind Ave	3488.78 (+17.83)
S&P Composite	446.17 (+2.77)

US LUNCHTIME RATES	
Federal Funds	2.1%
3-mo Treas Bill: Yld	2.875%
Long Bond	6.74%
Yield	6.74%

LONDON MONEY	
3-mo Interbank	6.1/4%
Life long gilt rate: Jun 1992 (Jun100)	6.1/4%

NORTH SEA OIL (Average)	
Brent 15-day (June)	\$18.85 (18.87)

Gold	
New York Comex (Apr)	\$340.9 (339.9)
London	\$339.95 (338.95)

Austria	Sch40	Greece	D300	Lux	LP60	Oman	OR120
Belgium	D1250	Hungary	F172	Malta	LM050	Saudi	SR11
Denmark	DKP80	Ireland	Ir180	Monaco	MC010	Singapore	S\$4.10
France	FFB20	India	Ru40	Neth	Nt175	South Africa	Rand10
Germany	DM250	Indonesia	Rp3000	Nigeria	Nn050	Spain	Pes200
Ghana	Ghs10	Italy	Lt100	Norway	Nkr150	Switzerland	Sfr45
Greece	Dr15	Japan	Y100	Oman	OR150	Sweden	Skr100
Hong Kong	Hkd50	Jordan	Jd150	Pakistan	Pak50	Thailand	Thb50
India	Ru40	Korea	Won200	Philippines	Php40	Turkey	Lira120
Indonesia	Rp3000	Kuwait	Kwd100	Poland	Pln200	UAE	Dh120
Israel	Sheq10	Lebanon	Lbn125	Portugal	Esp210		

## Italians vote decisively to change poll system

By Robert Graham in Rome

ITALIAN voters yesterday responded to the country's deepening political corruption scandal by voting overwhelmingly for a change to the way they elect their politicians.

Exit polls in the country's referendum estimated the vote in favour of replacing a system of proportional representation with a system of majority voting for the Senate at 81 per cent. This was much higher than predicted by the polls and by Mr Mario Segni, the leader of the referendum movement.

It effectively ended the system of proportional representation that has produced 51 unstable postwar coalition governments.

The latest referendum was Italy's ninth since the war, and included eight separate issues. The most important of these was introducing a first-past-the-post system for 238 of the 315 Senate seats, the remaining 77 still being covered by proportional representation.

The referendum result underlined the demand by an impatient electorate for rapid political change and electoral reform. A separate question on ending public funding of political parties was endorsed by more than 90 per cent of voters, according to exit polls. Illicit funding of political parties has been the main element in the corruption scandals.

Although the referendum on electoral reform concerned only the 315-seat Senate, the outcome will have a direct impact on the way in which the 630-seat Chamber of Deputies will be chosen in future elections.

"This is a victory for all Italians," said an exultant Mr Segni, who has emerged as a key figure ahead of a difficult period which must see agreement on a new government and the precise nature of electoral reforms.

Mr Giuliano Amato, the Socialist prime minister, met President Oscar Luigi Scalfaro just before

polling closed yesterday afternoon. He said holding the referendum had ended the main duty of his four-party coalition, formed last year and including Christian Democrats, Socialists, Social Democrats and Liberals.

But the government is not expected to resign until after a parliamentary debate due to begin tomorrow Wednesday and wind up on Thursday. By throwing the focus on to parliament, the president is hoping to obtain the broadest possible consensus on the future scope and composition of the next government.

Parliament and party leaders must decide between two options. Either they back Mr Amato to lead a new government or they accept that only a new figure, untainted by the scandals, can have the moral authority to carry out electoral reform.

The next government's main task will be to produce new electoral laws on which the country can go to the polls.

Yesterday Mr Umberto Bossi, leader of the populist Lombard League, called for such laws to be introduced in the next three months. But many politicians predict it would be difficult to agree in time for an autumn poll.

The most controversial item - penalising drugs for personal use - received by far the lowest vote, only 54 per cent.

The Christian Democrats campaigned hard but unsuccessfully to prevent the abolition of the ministry of agriculture, a key source of their patronage. The ministry's functions will be transferred to the regions.

Abolition of the ministry of state shareholdings, another referendum issue, has in effect already occurred. The other two matters approved were the removal of environmental issues from the control of local health authorities and an end to political control over appointments to the savings bank boards.

End looms for councillors, Page 3

## Eurotunnel accuses TML of blackmail

By Andrew Taylor, Construction Correspondent, in London

BRITISH and French construction companies were yesterday accused of blackmail in threatening to delay the opening of the Channel tunnel in support of longstanding claims for extra payments.

Eurotunnel, which will operate the tunnel, said that delays in opening meant that it could have to raise up to a further £580m (\$1.28bn) by the end of 1995.

Eurotunnel said the delays meant that the forecast cost until opening had risen since last autumn by £300m to £840m. This compared with an original forecast for the cost of the project made in 1987 of £4.8bn.

Sir Alastair Morton, Eurotunnel's chief executive, said he could not forecast when the project would open. This depended upon the willingness of contractors to co-operate in the testing and commissioning of the tunnel railway which was largely built.

## France cuts interest rates as franc shows modest rise

By David Buchanan in Paris

FRANCE yesterday pulled off a double coup, after months of monetary rigour, when it cut its official interest rates and saw the franc rise on the foreign exchanges.

But the Bank of France's cuts in its intervention rate from 9.10 to 8.75 per cent and in its 5-10 day repurchase rate from 10 to 9.75 per cent, reflected recent declines in domestic money market rates.

Further French rate cuts, essential to reviving France's stalled economy, would have to follow similar moves by the Bundesbank, economists here agreed.

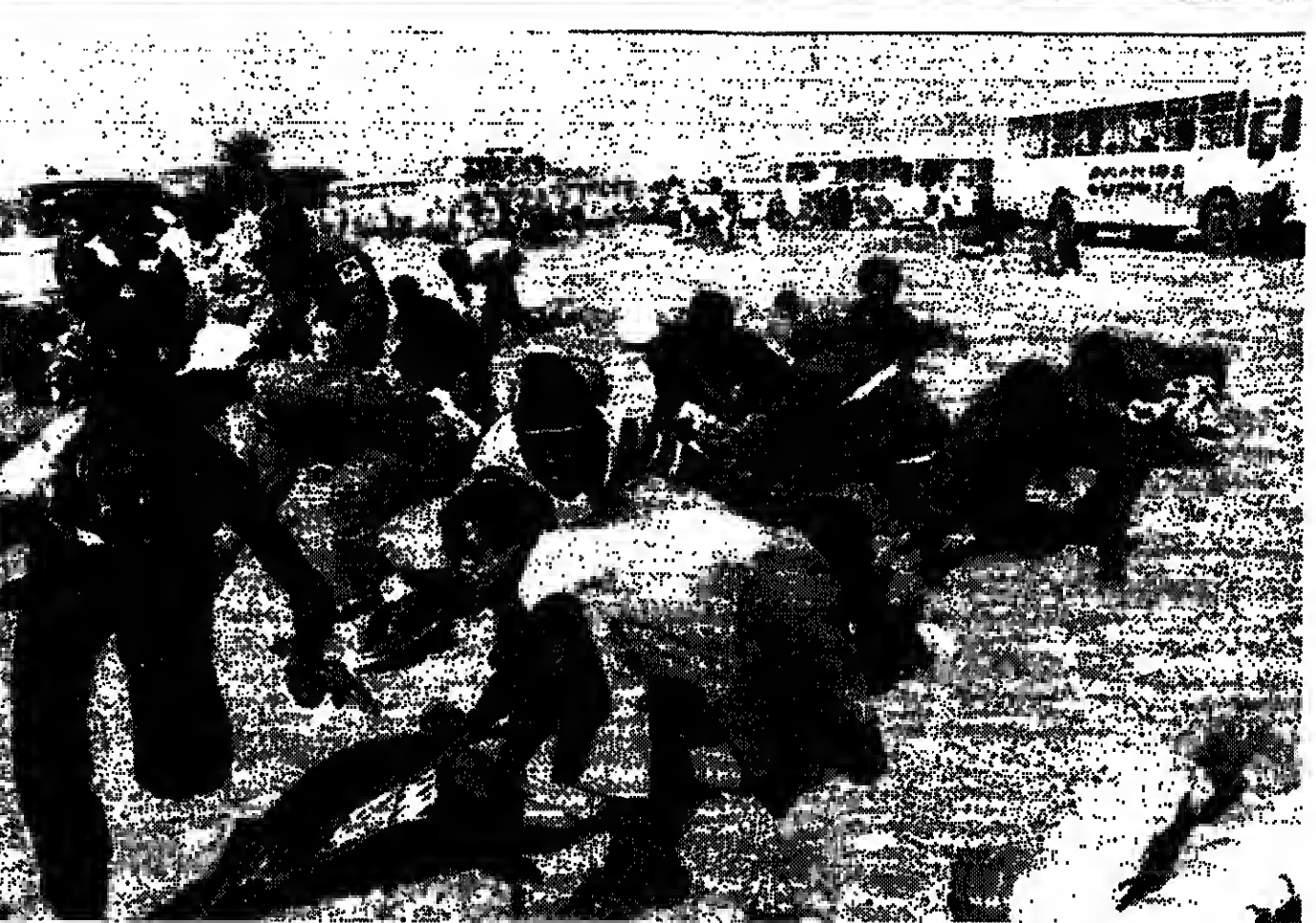
Mr Edmond Alphandery, the finance minister, hailed the "very favourable" performance of the franc which closed at a rate of FF 3.378 to the D-Mark. But he acknowledged this was due to the fact that yesterday's official interest rate cuts just "consolidated" movements on the money markets since the centre-right came into government last month.

Mr Alphandery was speaking after an EC finance ministers' meeting in Luxembourg, which discussed the idea of a European growth initiative which France first launched nearly a year ago.

Later today Mr Edouard Balladur, the prime minister, is due to put the finishing touches to a draft statute to give the Bank of France autonomy in monetary policy. At the weekend, he indicated that one possible difficulty had been resolved by his decision to leave responsibility for supervising commercial banks with the French central bank, in contrast to the system in Germany where banking control does not lie with the Bundesbank.

But when he holds his first meeting with German Chancellor Helmut Kohl in Bonn on Thursday, Mr Balladur will be able to press his case for closer Franco-German co-operation by arguing that France is well along the institutional road towards a German-style monetary policy.

There was little public reaction to yesterday's interest rate cuts, which were largely discounted by the markets, although the timing surprised some observers. Shares on the Paris bourse in fact fell slightly. Bank economists pointed out that it would take a bigger drop in interest rates to persuade French investors to start switching their savings out of money market funds into equities, but that such a switch was necessary for the big privatisation programme planned by the Balladur government.



Police teargas and rubber bullets send crowds in Soweto scurrying for cover before yesterday's funeral of ANC leader Chris Hani

## Restraint marks Hani funeral

SOUTH AFRICA last night appeared to have pulled back from the brink of disaster after the funeral of Mr Chris Hani, the slain black leader, provoked few significant incidents of violence.

No event in South African history - not even the release from prison in 1990 of Mr Nelson Mandela, African National Congress leader - has inspired such emotion and mobilised such large crowds.

ANC marshals battled to control 30,000 mourners who packed a soccer stadium near the black township of Soweto and the tens of thousands who drove in a funeral cortege to the white cemetery where Mr Hani was buried.

Peace monitors said most of the 100,000 people who participated in the day's events were restrained, with only 200 to 400 youths involved in violence. The monitors had feared the funeral, the largest of many in the history of the liberation struggle, could spark a big explosion of violence.

But in spite of stone throwing, arson and looting, the toll of dead and injured was much lower than expected. Six people were

Six killed, including one by police, during day of mourning, Patti Waldmeir reports from Boksburg

reported to have died with one of them killed by police. Three others were killed by shots fired from a migrant workers' hostel, the sort of incident which occurs almost daily in the low-intensity war between the ANC and the Inkatha Freedom party, its main black political rival.

Before the funeral began, 19 people died overnight in the black township of Sebokeng, deaths which the ANC blamed on the so-called "third force" linked to the government security apparatus.

Main motorways around Johannesburg were closed for two hours at midday as hundreds of cars and buses travelled to the Elspark cemetery near the multi-racial suburb where Mr Hani lived and died.

The motorways were strewn with broken glass for miles, as mourners broke the windows of overcrowded buses. They hung from windows and doors and clung to the roofs and bonnets of

buses which crept along the highway toward the cemetery. Some were injured when they fell to the road.

Outside the cemetery, a handful of armed members of the far right Afrikaner Weerstandsbeweging (Afrikaner Resistance Movement) looked on as a uniformed honour guard from Umkhonto we Sizwe (Spear of the Nation), the ANC army, paraded outside the graveyard. But most white residents kept a low profile.

Inside the cemetery, Mr Hani's burial was marked by volleys of gunfire from the crowd, as individual mourners joined in with the 21-gun salute fired by the Umkhonto honour guard. Mourners sang a dirge, Hamba Kahle Umkhonto, the traditional hymn to a fallen liberation fighter.

Speeches by ANC leaders at the funeral and by President F.W. de Klerk in parliament illustrated the deterioration in relations between the two parties since Mr Hani's death.


Mr Mandela and Mr Joe Slovo, chairman of the South African Communist party, delivered militant addresses which blamed the murder on the government. Mr Slovo twice asked the crowd: "Who killed Chris Hani?", leaving the reply which he received: "F.W. de Klerk."

The president warned that the spate of killings which had followed Mr Hani's death (which did not exceed the normal weekly average for 1993) could ignite a race war.

With whites more despondent and fearful than at any time in the past, Mr De Klerk condemned the ANC's planned six-week campaign of mass protest action, saying it would "set the stage for further violence".

He refused an opposition request to suspend parliamentary debate until after the Hani funeral.

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## NEWS: EUROPE

# Brussels turns up heat on Bundesbank

By Lionel Barber  
in Luxembourg

THE European Commission called yesterday for a 2 percentage point cut in short-term European interest rates, stepping up pressure on the Bundesbank to ease German monetary policy to stimulate economic recovery.

Mr Henning Christophersen, European Commission vice-president, told EC finance ministers in Luxembourg that if such a cut was followed by a 1 percentage point reduction in long-term rates, growth in the EC would increase by 0.7 per cent.

Germany had earlier successfully blocked inclusion of Commission growth predictions in an 88-page report on the EC's new "growth package" published yesterday. The package is an action plan by member states to use supply-side measures to stimulate economies.

Mr Theo Waigel, German finance minister, said interest

rates in Germany were coming down gradually. "If everybody [in the EC] had similar policies, everybody would have similar interest rates."

The polite criticism of German policy was echoed by Mr Norman Lamont, UK chancellor of the exchequer, who said interest rates were too high to be compatible with a recovery.

Mr Edmond Alphandery, the new French finance minister, said lower rates were the *sine qua non* for growth in Europe.

The growth package unveiled yesterday is the culmination of a six-month Commission campaign for member states to shift from current to capital spending, pursue wage restraint and take advantage of modest Community powers to lead to small and medium-sized businesses.

Mr Christophersen valued the package at Ecu35bn (£27.89bn) - a mixture of national measures, extra private investment generated by lending by the European

Investment Bank and a new European Investment Fund. An estimated 450,000 new jobs were likely to be created in 1993 and 1994, while growth was likely to be 0.6 points higher next year than the present forecast of 1.75 per cent.

However, doubts remain about the package's value. Mr Christophersen was unable to give a precise breakdown between member states' contributions and Community efforts. He also left open the possibility of revising downwards the Commission's forecast of 0.75 per cent growth in the EC this year.

But ministers stressed the package shows member states are able to act collectively - a point underscored by the presence of finance ministers from the European Free Trade Area at yesterday's meeting.

The Commission also hopes the package will persuade the US and Japan to stimulate their economies at July's G7 meeting in Tokyo.



A German postman ponders how to deliver mail to the headquarters of the German steel employers in Cologne after angry steelworkers from the east of the country bricked up the main entrance during the night.

## EBRD to tighten budget process

By David Marsh and Robert Peston

THE European Bank for Reconstruction and Development agreed yesterday to tighten its budgetary procedures after pressure from its directors, who represent the countries and international agencies that own it.

An EBRD board meeting, attended by all 23 directors, yesterday laid down new procedures for preparing the 1994 budget. A director said that the most important change was that the budget-making process would begin in July, several weeks earlier than last year.

In addition, the board's audit committee was directed to examine, in the next four to six weeks, allegations that the bank's £55.5m budget for fitting out its new London headquarters was excessive. The committee's investigation will include an examination of the £1.25m spent on marble for the building, which includes £750,000 for replacing existing marble.

A number of directors were also concerned that the bank's control of administrative costs had not been tight enough. From April 1991 to the end of last year, the EBRD spent more than £200m on its running costs and fitting out its building.

The bank's president, Mr Jacques Attali, will today meet Mr Theo Waigel, the German finance minister and chairman of the EBRD's governors, in Bonn.

An EBRD director said he "could not imagine" that Mr Waigel would ask Mr Attali to resign. He added that although Mr Waigel did not want to ignore German public opinion supporting tight control of the bank's costs, he was anxious to avoid any public blood-letting ahead of the bank's annual meeting later this week.

Germany's stance on the EBRD is particularly sensitive in view of Mr Attali's close links to President François Mitterrand. Any suggestion that Bonn was seriously displeased with Mr Attali's stewardship of the bank could have deep repercussions on the Franco-German relationship.

Mr Waigel and Mr Attali are expected to concentrate on discussing the general operations of the bank, rather than going into detail on the allegations of EBRD overspending.

## Ozal death sends share prices plummeting

PRESIDENT Turgut Ozal's death at the weekend sent shares tumbling on the Istanbul stock exchange yesterday and spurred dollar buying on fears of a political crisis, Reuters reports from Istanbul.

The index, which hit an all-time high on Friday, sank 787.23 points or 10.45 per cent to 6,574.14. "This is the biggest slump in the history of the stock exchange," said broker Mr Bulent Yazar at Pay Investment House. "There is uncertainty over the stability of the government. I hope the parliament acts fast to select a new president."

Mr Ozal's death also stimulated dollar buying, forcing the central bank to intervene several times to halt its surge. Brokers expected stock market turmoil to continue, albeit less intensely, until nominations for the presidency are put forward during a 10-day period from next Tuesday. Parliament will then have until May 27 to choose a new president in up to four rounds of voting.

Turkish newspapers yesterday named Mr Süleyman Demirel, the prime minister, Mr Minister Erdal Inönü, his deputy, and Mr Hüsamettin Cindoruk, the parliamentary speaker, as possible candidates. See World Stock Markets

## Czechoslovak divorce costs both sides dear

Business suffers as barriers go up, writes Patrick Blum

THREE months after their divorce, the Czech and Slovak republics are struggling to cope with the costs of separation.

Bitter rows about assets and liabilities, differing economic and political aims, and a raft of new regulations have all served to disrupt severely the business that once flowed freely between the two.

Czech sales to Slovakia represent about a quarter of all its exports, while the Czech Republic takes about 40 per cent of Slovakia's exports. Officials expected bilateral trade to fall by around 10 per cent, but in January alone it declined by more than half.

Companies complain of long delays and extra costs caused by new customs and clearing regulations.

The monetary union under which the two states were to share a common currency came to an abrupt end in February. A clearing agreement using the Ecu as the benchmark currency for calculating payments between the two states failed to halt a sharp decline in bilateral trade. The Slovak crown has been devalued by 5 per cent and the Czech crown revalued by 2 per cent against the clearing Ecu, raising the cost of Czech goods for Slovak companies.

Current projections suggest bilateral trade could fall 30-40 per cent this year, threatening to postpone economic recovery after two years of sharply declining output. Economists estimate that a 10 per cent fall in bilateral trade will cause a 1 per cent drop in Czech GDP, and twice that for Slovakia.

Faced with a collapse of eastern markets, both countries have redirected their trade westwards, mainly to Europe. Last year, about 70 per cent of Czech and Slovak exports were sold in the west, but further inroads into western markets for exports of traditional products, from steel to textiles, are facing growing obstacles.

Imports are outpacing exports and the recession in Europe is reducing export opportunities. The downturn in Germany, now the Czech Republic's largest single customer absorbing 30 per cent of its exports, as well as its biggest investor, is viewed with

mounting concern in Prague. Czech and Slovak industrial associations, say government suggestions that companies should switch sales from each other to other markets are unrealistic, and would result in a loss of domestic market share to foreign companies.

However, the collapse of markets in eastern Europe, Czechoslovakia's partition into two smaller markets, and Prague's focus on western Europe without the benefits of EC membership, may have reduced the Czech Republic's attractiveness as a manufacturing base.

Prague insists low labour costs, a skilled labour force, and its location in the heart of Europe provide an ideal base for foreign investors, but the lack of incentives may act as a deterrent.

Slovakia, for its part, is desperately courting foreign investors, and recently unveiled substantial tax incentives. Its economy has been more affected by the collapse of traditional markets and its unemployment rate stands at 11 per cent, compared with the Czech Republic's 3 per cent.

According to patchy, and at times contradictory figures, foreign investment was \$1.6bn and \$270m in the Czech Republic and Slovakia respectively in 1990-1992.

But last month's decision by Mercedes to abandon plans for a joint venture to make trucks in the Czech Republic was a worrying signal. The company said it was no longer interested in the venture because the break-up of Czechoslovakia had made access to eastern Europe more difficult. Several other large investments have either failed or been revised downwards (Siemens) or are locked in endless negotiations (Vesco/Flat).

No one in Prague is willing to hazard a guess at the possible number of bankruptcies that could follow the introduction of a new Czech bankruptcy law this month, but with figures for inter-company debts running at more than Kcs 200bn (\$7.1bn), the fear is that there will be a wave of business failures. Slovakia has so far postponed its own bankruptcy law.

## Russia attacks UN vote on Serbia

Churkin critical but warns Bosnian Serbs to accept peace plan

By Andrew Gowers in Moscow

RUSSIA yesterday criticised the United Nations Security Council for showing undue haste in tightening sanctions against Serbia at the weekend. It also warned that western military intervention against the Serbs might risk provoking an all-out Balkan war, with grave consequences in Russia and elsewhere in Europe.

Mr Vitaly Churkin, deputy foreign minister and President Boris Yeltsin's special envoy, told a news conference in Moscow that the Security Council's decision on Saturday to bar all commerce with the rump Yugoslavia from April 25 had reduced the chances of achieving a peaceful settlement of the Bosnian conflict.

"We are concerned at certain military thinking and some diplomatic talk about strikes and blows in Bosnia," he said in an oblique reference to proposals mooted in the US and by Lord Owen, the European Community mediator, that UN forces should step up the pressure on the Serbs by bombing their supply lines.

"The international community should decide does it want a war in the Balkans or an international settlement?" he asked.

Later Mr Andrei Kozyrev, the foreign minister, said a meeting of Security Council foreign ministers to discuss the sanctions issue could be held in either Sarajevo or besieged Srebrenica. He also voiced unease at the UN vote to

tighten sanctions against Serbia.

Mr Churkin combined his warnings against further punitive action by the UN with a fresh appeal to the Bosnian Serbs to accept the Vance-Owen peace plan without delay, and with an "absolute minimum" of proposed changes.

While he admitted that they had some legitimate concerns about the proposed map of Bosnia-Herzegovina, under which the country would be divided into 10 largely autonomous cantons, he could not expect to restart the negotiations from scratch. "In the next few days you must reach a settlement or you will suffer a defeat that will be a tragedy for the Serbian people," he said.

The Russian government abstained in Saturday's vote, as did China. It had been hoping that a vote on the new sanctions resolution could be delayed until next week for fear of undermining President Boris Yeltsin's position in the April 25 constitutional referendum.

In explaining the position, Mr Churkin told what has come to be a customary debate line for Mr Yeltsin's government between appeasing conservative critics at home, who urge all-out Russian support for the Serbs, and seeking to calm fears in the west that Russia is on the verge of breaking ranks on the Yugoslav conflict.

Asked by a hostile Serb questioner at yesterday's news conference why Russia had not vetoed the Security Council resolution, Mr Churkin replied bluntly: "Russia has its own foreign policy priorities. It will not enter a confrontation with the international community just because agreement cannot be reached on a map of Bosnia-Herzegovina."

Foreign policy analysts in Moscow agree that western concerns about Russia's attitude to Bosnia are probably overdone. "Almost nobody's interested in Serbia here, but the opposition is playing it up to make things difficult for the administration, and the administration has to bow to that," said Mr Sergei Karaganov, deputy director of the Institute of Europe and a presidential adviser on foreign affairs.

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## Kohl caution over military intervention

By Ariane Genillard in Bonn

CHANCELLOR Helmut Kohl of Germany yesterday warned that military intervention in former Yugoslavia would not bring an end to the war and could lead instead to further bloodshed.

"A full military involvement, as some are calling for... will not bring a solution to the conflict in former Yugoslavia which has historical roots," Mr Kohl said.

"In light of the chaotic situation in Bosnia-Herzegovina, one can fear a higher death toll for both the civilian population and the international military forces there," he added.

Mr Kohl said he fully supported the resolution of the UN Security Council to apply tougher sanctions against Serbia. He also favoured suspending Serbia's membership of international organisations.

The chancellor reiterated that, for historical reasons, German soldiers

would not participate in military activities in former Yugoslavia.

"The presence of German forces would serve the Serbian war propaganda and would worsen the situation and the international peace efforts," he said. A Nazi-backed regime was set up in Croatia during the second world war.

Germany is prevented by its constitution from sending soldiers to territories outside the Nato area, although Mr Kohl and his party, the Christian Dem-

ocratic Union, want greater German participation in UN peacekeeping operations.

At the weekend, Mr Klaus Kinkel, foreign minister, also warned that air bombardments would lead to an escalation of violence. "The risks could be incalculable. The situation and the security of Unprofor [UN protection force] soldiers must above all be looked after," he said. Mr Kinkel also called for the withdrawal of all diplomats from Belgrade.

Tuzla has little food left for thousands of refugees expected from Srebrenica

## Aid blocked as Croats turn on Moslems

By Laura Silber in Belgrade

FIERCE fighting between Croat and Moslem-led Bosnian forces in central Bosnia paralysed key aid routes yesterday, and further undermined the prospects of the hard-pressed Moslem forces, already reeling from the virtual loss of Srebrenica in the east.

Relief officials said the fighting had nearly depleted stocks of food in Tuzla, in north-eastern Bosnia, which is preparing for the arrival of tens of thousands of starving refugees from Srebrenica.

Diplomats say Croat forces are now trying to establish unchallenged control over parts of central Bosnia and Herzegovina.

The clashes between the former allies forced British United Nations soldiers based in Croat-held Vitez, 60 miles

northwest of Sarajevo, to seek shelter from shells exploding near their camp.

Amid conflicting reports which could not be independently confirmed, each side blamed the other for the outbreak of fighting. Bosnian radio said the Croatian Defence Council (HVO), the military wing of the self-styled Croat state of Herzegovina, had fired on surrounding Moslem villages. Croatian radio said Moslems detonated a car bomb in Vitez that killed many civilians.

UN officials in Vitez say the fighting over the past four days has left some 150-200 people dead and scores wounded.

A car bomb did explode near a mosque in Vitez on Sunday, killing three civilians and seriously wounding eight people, officials said. Six others were slightly injured. Many houses



in the old part of Vitez were badly damaged by the blast. Fighting between Bosnian

Croats and Moslems broke out around Vitez and surrounding villages on Friday.

According to Mr Laurens Jolles, a senior official of the UN High Commissioner for Refugees, "It can threaten the survival of people in Zenica. It has become extremely difficult to deliver food because of the clashes." Bosnian radio said 13 people had been killed and 30 wounded yesterday when Bosnian Croat forces launched an artillery attack on Zenica. Hina, the Croatian news

agency, claimed six soldiers had been killed and a number of civilians hurt in a Moslem attack on Croat-held Kiseljak just outside Sarajevo.

The renewed fighting shattered a strained alliance patched up in January by Lord Owen and Mr Cyrus Vance, the international mediators. Its eruption did not surprise members of the mainly Moslem Bosnian forces, following as it did a Croat ultimatum.

The HVO order demanded Moslem soldiers withdraw by April 15 from provinces designated as "Croat" under the Vance-Owen plan. That plan divides Bosnia-Herzegovina into 10 provinces roughly along ethnic lines.

Diplomats say Croat forces have taken advantage of international outrage about the Serb onslaught on eastern Bosnia. They moved last week to cement their control over parts of Bosnia-Herzegovina.

While Serb forces have expelled or killed hundreds of thousands of Moslems in eastern Bosnia, their Croat counterparts have done the same on a smaller scale further west. Supported by the armies of their neighbouring patron states, they are pitted against the Moslems in an intention to divide up Bosnia-Herzegovina.

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مكتبة التوثيق



## End looms for Rome's councillors

By Robert Graham in Rome

ATTEMPTS to keep alive the city of Rome's administration, already battered by corruption scandals, suffered a serious setback yesterday. This time it was the turn of Milan magistrates to take their investigations to the capital.

Two councillors were advised by Milan magistrates they were under investigation for alleged corruption over contracts connected with Acea, the Rome municipally owned electricity entity. Five arrest warrants were also issued for former members of the Lazio regional council and former members of the Acea board.

Last night, as a result of these arrests, the Lazio administration resigned.

One of the Rome councillors, Mr Mario Gionfrida, a right-wing independent, tendered his resignation. At the same time Mr Franco Carraro, the Socialist mayor of Rome, commented: "It looks as though the game is up and we will have to dissolve."

Among Italy's big four cities affected by corruption scandals, Rome alone has avoided the collapse of its administration. In recent weeks Mr Carraro has blocked a move by a reformist group to back a new Green mayor, but has been struggling vainly to find a consensus for further rule by his discredited Socialist-Christian Democrat alliance.

The Milan magistrates' investigations follow confessions from politicians who have collected money on behalf of political parties from companies supplying Acea and Rome's municipally owned transport company, ATAC. They are said to have been taking a 5 per cent commission on such contracts.

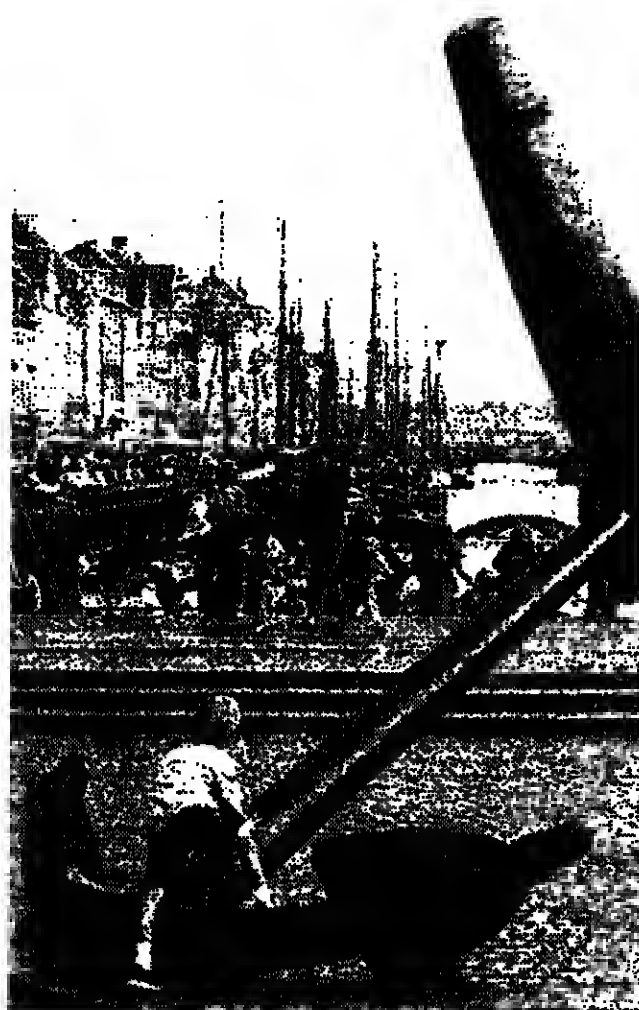
Italy's industrial production fell 5.1 per cent during February compared with the same month in 1992, writes Robert Graham.

Figures released yesterday by Istat, the national statistics institute, showed production fell 7.7 per cent during the first two months of 1993 against the same period last year when there were two extra working days.

The worst affected sectors continued to be engineering and transport, followed by textiles and clothing. The only area where production did not decline was foodstuffs. Despite lower production, Confindustria, the industrialists' association, believes the first modest signs of an export-led recovery are beginning to appear.

As a sign of the way Rome's local politicians were accustomed to treat kickbacks, the Socialist party issued a statement expressing solidarity with two of their colleagues alleged by the Milan magistrates' investigations to have collected £35m-£40m (£15,000) in 1988-90. "This is an amount which in Rome serves only to produce two manifestos on a couple of occasions."

Rome has been affected by the investigations less than Milan, Turin and Naples. It is thus significant that the new push in Rome comes from Milan, raising once again delicate issues of the territorial competence of investigations. The main Rome investigations are into Acea, the state road building authority, the misuse of overseas aid funds, and fraud in subsidiaries of Efim, the state industrial holding now in liquidation.



Safe harbour: the government insists a Yes vote will let Denmark find an anchor in the European Community

## Danes suffer attack of nerves

### Hilary Barnes on the Maastricht referendum countdown

IT'S GOING to be a Yes this time - so said the Copenhagen taxi driver. But his assertion came with more conviction than is mustered by the country's political leaders and businessmen, who got it badly wrong last year when voters ignored their advice and refused to approve the Maastricht treaty on European union in a June referendum.

A new referendum will take place on May 18, and although the opinion polls so far have shown a comfortable majority in favour of union, there are still many voters who are undecided. A Gallup poll published over the weekend showed 47 per cent in favour, 30 per cent against and 23 per cent undecided or not intending to vote. A poll a week earlier showed 45 per cent for and 29 per cent against.

With four weeks to go to the referendum a Yes vote seems a near certainty. But politicians and businessmen are careful not to anticipate a result. Stung after last year's lacklustre campaign for the treaty, the government is leaving less to chance and is mounting an energetic campaign in the final stretch.

The vote will be on the Maastricht treaty as modified for Denmark at the Edinburgh summit. This permits the country to opt out of some of the key programmes, defence, the third phase of economic and monetary union, supranational legal co-operation and "union citizenship". The anti-Maastricht forces, dominated by the predominantly left-wing June Movement, argue that the electorate will be voting on exactly the same issues as last year and that the Edinburgh agreement makes no difference as the treaty's text

has not changed. "Maastricht is not the solution, it's the problem," says Mr Jens Peter Bonde, Euro MP and one of the June Movement's leading figures.

But seven of the eight parties in the Folketing which endorsed the Edinburgh agreement believe the May vote is "on a new basis" and is "for something different".

Their arguments seem to be winning. Gallup asked voters who have switched from a No to a Yes vote why they had changed their minds. Some 30 per cent said it was because of the Edinburgh deal, 23 per cent because they were better informed, and 15 per cent because they thought a Yes vote would be good for the economy.

The opinion polls should give considerable comfort to supporters of Maastricht for two other reasons.

First, the polls are regularly showing substantial support for Maastricht; last spring they showed the race was neck and neck. However, some polls have indicated an increase in undecided voters at the expense of the Yes vote.

Second, the polls show a majority for the treaty among supporters of the country's largest political party, the Social Democrats.

In last year's referendum, when the Social Democratic party was in opposition, its supporters voted by 60-40 against the treaty.

This spring, perhaps because the Social Democrats returned to government at the head of a four-party coalition in January, polls indicate majority backing for the treaty among the party's supporters; in a

poll at the end of March, 47 per cent backed the treaty and 30 per cent opposed it.

A notable difference of this year's campaign is that Prime Minister Poul Nyrup Rasmussen is being more emphatic in warning voters of the dangers of a No vote.

Last week he said a second No would be tantamount to telling Europe that Denmark did not want to remain a member of the Community. In the long run a No vote would mean Denmark withdrawing from the EC.

However, as Mr Anders Knutsen, chief executive of the television and audio equipment maker Bang & Olufsen and a prominent supporter of the Yes vote, noted, the campaign to date has been muted. This is partly because the voters appear tired of a subject which has dominated the headlines for more than a year.

But this does not mean the Social Democrats have remained passive, according to Mr Ove Fich, who is organising the party's Maastricht election campaign. The emphasis is on small, local meetings - dozens of them every week - which appear to be more effective than the roar of expensive advertising. The pro-Maastricht Europe 2000 organisation, a non-party group supported by many prominent Danes, has adopted the same strategy.

It is, of course, not too late for the voters to surprise the establishment again. But it seems unlikely - so much so that British bookmakers will no longer accept bets on a favourable outcome.

## Finnish economy 'over the worst'

By Christopher Brown-Humes in Helsinki

FINLAND IS over the worst of its economic problems, Mr Esko Aho, the country's prime minister, said yesterday.

He cited a 24 per cent increase in exports in February and a 4 per cent rise in industrial production since the beginning of the year as evidence that recovery had begun. Finland has been in deep recession since 1990, with gross domestic product falling by 10 per cent last year and the year before.

"We are on the way up," claimed Mr Aho, who viewed

the 5 per cent rise in the value of the markka since Easter as a clear indication of improving sentiment.

Finland has benefited from a surge in exports after a 40 per cent currency depreciation since November 1991. Recovery has also been helped by a halving of interest rates to from 17 per cent last autumn.

Mr Aho added that "on the basis of current trends, the balance of payments should be back in equilibrium next year". But, on a gloomier note, he predicted that Finnish unemployment, which currently stands at 18 per cent, would continue at a high level.

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## NEWS: WORLD TRADE

Sanctions may follow if Kantor and Brittan fail to reach agreement

## US and EC start new trade talks

By Nancy Dunne  
in Washington

US INDUSTRY representatives were anxiously watching for signs yesterday that Mr Mickey Kantor and Sir Leon Brittan, the top trade officials of the US and EC - who began a two-day meeting in Washington - would make progress in efforts to eliminate tariffs on a wide range of products.

There has been little news out of preliminary meetings held over the weekend between Mr Warren Lavorel, the US GATT co-ordinator, and Mr Hugo Pagmen, the chief EC trade negotiator.

Much could depend on the outcome of the dispute over the EC Utilities Directive, which, the US argues, makes it difficult for US companies to win telecommunications and electrical equipment contracts. A settlement could produce momentum in the multilateral

procurement talks in Geneva and in the Uruguay Round of talks as a whole.

Failure to reach agreement, followed by US sanctions against EC companies, might dampen the mood, although US officials say they will try to segregate the issue from the rest of the round.

On the market access package, agreement was reported to be near on pharmaceuticals, medical equipment and construction equipment. However, the question of including scientific and agricultural equipment must still be aired.

The talks on forest products have been in some trouble. The EC has complained about export restrictions of logs from the US, Malaysia and Indonesia, making elimination of the restrictions a condition to reduce or eliminate tariffs.

This was "a red herring" as far as the US is concerned, said Mr Stephen Lovett, of the

National Forest Products Association. US logs were of "little economic significance" to the EC, although Indonesian exports were more of a problem.



Kantor

Chemical tariffs are also at issue, with the EC disagreeing about some exceptions the US wants to take. The Community also could demand more from American "donor industries" -



Brittan

those such as textiles, ceramics and glassware which will be forced to give up tariff protection.

Mr Lovett and Mr William Lane, government affairs representative for Caterpillar, stressed the necessity of producing "a major market access package" containing a "very strong zero tariff component", to make the Uruguay Round of talks saleable to Congress.

"Overnight the business attitude would change from ambivalence to enthusiasm," Mr Lane said.

Caterpillar and other big US equipment makers face tariffs of 4-10 per cent in most developed countries and over 15 per cent in developing countries.

"It's difficult to offset the extra burden of import tariffs," the company said in its proposal to reduce tariffs to zero on construction equipment, diesel engines, lift trucks, and industrial gas turbine engines.

## Italtel in Greek mobile phone deal

By Haig Simonian in Milan

ITALTEL, the Italian state-controlled telephone equipment group, and Ericsson, the Swedish subsidiary of Ericsson of Sweden, have won a 1,000bn (\$41.4m) order to supply mobile telephone equipment for the new second network in Greece.

The concession to operate the Greek system, based on the new GSM standard, was won by the Italian state-controlled Stet telecommunications group last August.

Stet is also the main shareholder in Italtel.

Italtel and Ericsson will supply Stet-Hellas, Stet's Greek operation, with a full turnkey mobile communications package over the next two years. The contract envisages preliminary coverage of the main areas of demand, notably Athens and Salonica, in the country within the first year. The network will be subse-

quently expanded gradually to cover most of the Greek mainland and the main islands.

Salpem, the drilling and construction subsidiary of Italy's Eni state energy and chemicals group, has won a contract worth over £200bn to lay an undersea gas pipeline in the South China Sea between Hong Kong and the Hainan oil fields.

The 707km pipeline, commissioned by the US Arco oil group, will supply gas for electricity generation in Hong Kong.

Salpem said the deal had helped push new orders in the first four months of this year to £878bn, slightly ahead of the £850bn in the same period last year.

The company has recovered sharply in the past year from the crisis in the industry, with turnover of about £2,000bn in 1992, allowing a return to profits after three consecutive years of losses.

## China prepares foreign trade law

CHINA, striving to improve its trading rules to bolster its attempt to rejoin the General Agreement on Tariffs and Trade, has finished drafting its first foreign trade law, Xinhua news agency reported, Beijing.

Yesterday, the China Daily quoted Ms Wu Yi, minister of foreign trade and economic co-operation, as saying China hoped to increase foreign trade to \$200bn (£132.4bn) by 1995 and enter the ranks of the world's top 10 trading countries. It was the world's 11th largest trader in 1992, with a volume of \$165.6bn, ahead of Taiwan, Singapore, and South Korea but behind Hong Kong, Xinhua News Agency recently reported.

Xinhua quoted Ms Wu as saying the law was an effort to develop trade based on international norms. It will soon be submitted to the Standing Committee of the National People's Congress, the parliament, for deliberation after being approved by the State Council, or cabinet. Other laws relating to foreign trade such as anti-dumping and subsidies were also under consideration.

China is anxious to rejoin GATT to protect its booming trade, now about 40 per cent of gross national product. But it must first satisfy the US that it has established a market economy that does not distort trade with unfair subsidies or secret regulations. US negotiators last month dashed Beijing's hopes of an early return to the world fair trade body by saying China was refusing to make concessions.

China was a founder member of GATT in 1948 but quit the following year after the Communist revolution. It is keen to rejoin before Taiwan, which has a strong case to support its application. The minister said China would try to diversify its markets, paying greater attention to countries in the Commonwealth of Independent States, eastern Europe, Latin America, the Middle East and Africa, Xinhua reported.

## Japanese turn attention to a burgeoning Asia

Michiyo Nakamoto on a manufacturing powerhouse and growing market

JAPAN'S Mitsubishi Motors, Aikawa, the audio manufacturer, and YKK, the world's leading maker of fasteners, have this month all unveiled plans to expand production in Asia.

Last week, car maker Suzuki followed suit, signing an agreement with the China North Industries Group to become the first Japanese car maker jointly to produce passenger cars in China, from 1995.

As Japanese industrialists ponder the prospect of persistent weakness in their home market, a rising yen and continuing friction with key trading partners, Asia appears to be the one bright spot in an uncertain future, representing both a manufacturing powerhouse and a potentially vast market.

The Asian Development Bank last week forecast 7 per cent growth this year in the Asia-Pacific region, compared with less than 2 per cent in developed market economies.

The proportion of total Japanese investment that went into

Asia rose from 12 per cent in 1989 to 14 per cent in 1991. North America saw its share of Japanese investment fall from 50 per cent to 45 per cent over the same period, and Europe held steady at about 22 per cent, according to the Japan External Trade Organisation.

And while Japanese overseas investment has shrunk 30 per cent in the past two years, as a result of economic downturn, the fall in Asian investment has been markedly less, at 15 per cent. In recent months, the rapid rise of the yen has enhanced the incentives for moving Japanese manufacturing abroad.

Another reason why Japanese manufacturers are turning their eyes to Asia is that long-term changes in Japanese society are threatening to deprive them of a stable source of labour in their own country.

The growing rejection by Japanese youth of manual labour, including skilled tech-

nical work, coupled with the trend towards having fewer children has made it difficult for manufacturers to find workers in Japan willing to take on factory work.

While the current recession has masked the trend somewhat, small to medium-sized subcontractors, the foundation of Japan's manufacturing success, are finding it difficult to

attract workers and there is talk among Japanese industrialists of a "parts crisis".

"In 10 years it will be impossible to produce parts in Japan," says Mr Yoshio Sakakibara, director of the Asia-Oceania Division, Overseas Research Department, at Jetro. "The only place where Japanese industry can take that work is Asia."

A good proportion of Japan's manufactured goods is already coming out of Asia. For example, 60 per cent of products sold by Sanyo, the electronics group, in the UK are made either in the EC or in Asian countries, and that trend will intensify, says Mr Yasuaki Takano, Sanyo's president.

"We can no longer speak of Japan's consumer electronics industry. It is the world's consumer electronics industry."

Asia is also attractive to Japanese manufacturers who may feel culturally closer to the region than other parts of the

world, Mr Sakakibara says.

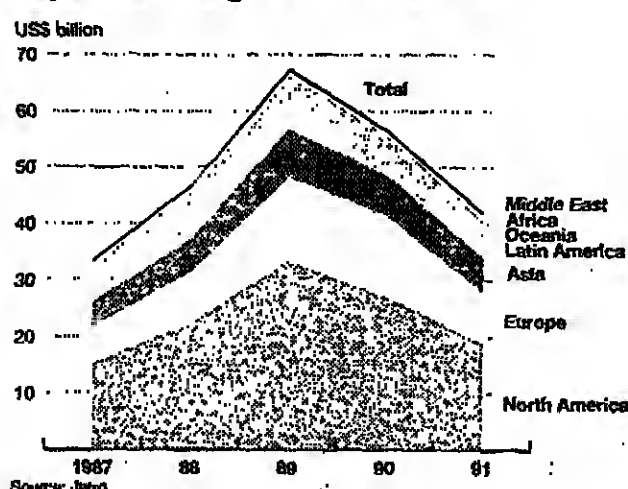
A further factor, which may take on a more important role as cost considerations weigh heavily on Japanese companies, is that past experience has shown the profitability of Japanese companies in Asia to be much higher than in other parts of the world.

Whereas the ratio of revenue to pre-tax profits for manufacturing companies was 3.2 in Europe and a negative 0.9 in North America, it was 5 in Asia, according to a study by the Japanese government.

"I think there is a reassessment of the geographic portfolio with Japanese companies giving more weight to Asia than Europe and the US," says Dr J Malcolm Dowling Jr, assistant chief economist at the ADB. As Asia becomes a global base for certain industries, it is also attracting investment from subcontractors and manufacturers in related industries.

YKK, for example, says it is increasing production in Asia by 50 per cent because China has become the world's base for clothing manufacture.

## Japanese foreign direct investment



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prepares  
foreign  
trade law



The decision to reunite the two German states was also a decision to create a social market economy in the former German Democratic

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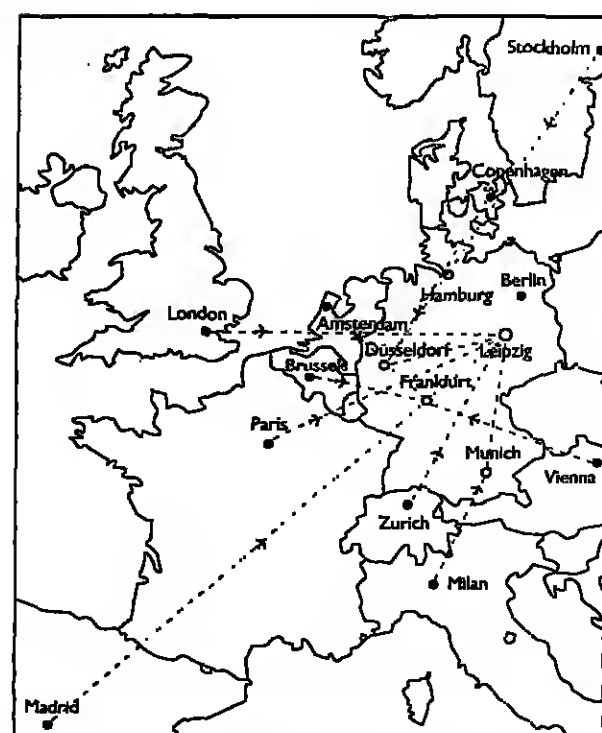
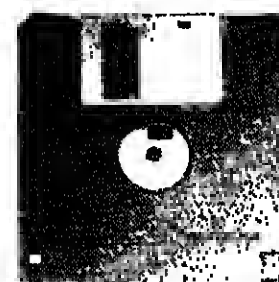
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# Pakistan seeks to assure investors

By Stefan Wagstyl and Farhan Bokhari in Islamabad

PAKISTAN is expected this week to pledge to maintain its existing international financial commitments in spite of the political crisis caused by the dismissal of Mr Nawaz Sharif's government and the dissolution of the national assembly.

Pakistani officials were expected to leave Islamabad last night for Paris where they are due to meet representatives of aid donors, including the World Bank, the Asian Development Bank and developed country governments.

Mr Sartaj Aziz, the former finance minister who was sacked with the rest of Mr Sharif's government on Sunday, was due to have led the Pakistani delegation. In his absence, a senior official will head the team. Mr Aziz told the Financial Times yesterday there would be no change in Pakistan's attitude to foreign donors or investors.

"There's a certain continuity in our policies," said Mr Aziz. "I'm sure the new [caretaker] government will carry on talking to donors and trying to attract foreign investors."

Mr Aziz was speaking after

President Ghulam Ishaq Khan dissolved the national assembly and dismissed Mr Sharif's government, accusing Mr Sharif of damaging the country and its economy. He also accused Mr Sharif of corruption and nepotism.

Mr Ishaq Khan was responding to a televised speech Mr Sharif made on Saturday in which he accused the president of conspiring to overthrow him. The exchanges followed an increasingly acrimonious struggle between the two men about the appointment of a new army chief, over Mr Sharif's attempts to secure the leadership of the Pakistan Muslim League, Pakistan's largest party, and over Mr Sharif's attempt to curb the president's powers.

Party leaders yesterday started preparing campaigns for elections, which Mr Ishaq Khan said he would hold within three months. Mr Sharif, who hails from Punjab province, yesterday announced he would travel by train from Islamabad to Lahore, the Punjab capital, stopping along the way to campaign. The degree of support the dismissed prime minister can command in his home province

is seen as crucial to his political future. The Muslim League has split between his supporters and backers of the president.

Meanwhile, supporters of Ms Benazir Bhutto, leader of the opposition Pakistan People's party, said they were delighted at the opportunity to fight Mr Sharif at the polls. One of Ms Bhutto's aides declined to comment on the party's view of Mr Ishaq Khan - the president who dismissed Mr Sharif is the same man who sacked Ms Bhutto's government in 1990.

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## Sacking unlikely to end political impasse

THE latest turn of events in Islamabad has a depressing familiarity. President Ghulam Ishaq Khan is sacking a prime minister and dissolving the national assembly for the second time in less than three years.

In 1990, he dismissed Ms Benazir Bhutto and promoted the election of Mr Nawaz Sharif. In 1993, he is dismissing his hand-picked protégé and opening the door to the possible return of Ms Bhutto.

Such cavalier treatment of the country's elected leaders bodes ill for the future of Pakistan's fragile democracy; it raises concerns about the role of the country's powerful military establishment, its economic prospects and its relations with foreign states, especially the US and India.

Pakistan has had 15 rulers since independence: the two who lasted longest were both military dictators - General Ayub Khan in the 1960s and General Mohammed Zia al-Haq, who died in an air crash in 1988.

Among President Zia's political legacies was a constitutional amendment which gave great powers to the presidency. His successor, Mr Ishaq Khan, has now used these powers twice to deadly effect.

On each occasion, the president has claimed that was acting to defend the constitution. In fact, this 73-year-old former finance ministry official has also been acting to protect his own political position. Ms Bhutto was sacked after losing a power struggle with the army, which might have culminated in a military takeover had the president not intervened. Mr Sharif has been dismissed after a concerted effort to enlarge his own authority at the president's expense.

After apparently working well together for two years in which Mr Sharif did nothing to anger his political mentor, the two men quarrelled over the appointment of a new army chief, over Mr Sharif's ambition to head the Pakistan Muslim League, the country's largest



Nawaz Sharif, surrounded by supporters, at an Islamabad news conference yesterday. He urged his party to protest over his sacking

est political party, and, finally with the president's effort to curb the president's powers.

The president's dismissal of the government and the national assembly is, he announced, to be followed by national elections in three months' time. But already in Islamabad yesterday there were doubts whether polls could be held in July, in the

## Stefan Wagstyl and Farhan Bokhari report from Islamabad

heat of the summer. Mr Zahid Sarfraz, one of Mr Ishaq Khan's top supporters, said elections might be postponed "for 12 months" to allow time for the summer, the monsoon and a long-overdue census.

Whether the polls are three months away or 12, the campaigns are likely to be bitter. The Pakistan Muslim League, the main component of the coalition which supported Mr Sharif's government, is split between the former prime minister's faction and one backing the president.

The main opposition party, Ms Bhutto's Pakistan People's party, has swallowed its pride

and temporarily allied itself with the president to secure Mr Sharif's dismissal. But relations between these groupings are fluid as are links with other parties, notably Islamic fundamentalist groupings.

Mr Sharif's political survival depends on support in his home province of Punjab, where he served as chief minister and where his family has extensive business interests. "Punjab is the crucial test of Sharif's popularity," says one of Mr Sharif's political advisers. If Punjab backs Mr Sharif, as seems likely, while the other three provinces do not, dangerous inter-provincial rivalries could erupt.

General Abdul Wahid, the army chief of staff who took over in January, is avowedly apolitical. But he is also the president's man, appointed against Mr Sharif's wishes. So, if the president chooses to delay elections to boost his own popularity at the expense of Mr Sharif, the army is unlikely to protest. The army's main worry is that the political battles now raging should not lead to civil disorder. As a senior army officer says: "God forbid there should be civil disorder, but if there is we will not fail in our duty."

The prospect of extended political confusion unsettles businessmen. The Karachi stock exchange's index slid 3

per cent yesterday, its biggest one-day decline this year. Mr Nasir Bokhari, a leading broker, said: "The business community is not panicking but it is very much shaken by the prime minister's dismissal."

The shock is particularly acute because Mr Sharif was lionised by businessmen for being the first industrialist to have led the government. They welcomed his policies of economic deregulation, privatisation and the encouragement of foreign investment.

However, as long as the pre-election uncertainty is not too disruptive, the long-term impact of Mr Sharif's departure may not be as bad as some businessmen fear. His policies owed much to economic bureaucrats who will survive the change in government. The new government, like Mr Sharif's, will also probably have to pay attention to the country's international donors led by the World Bank. The general expectation in Pakistan is that economic reform will continue, though it may slow down.

There may be changes in emphasis. For example, Mr Sharif has made a priority of a Rs30bn (\$740m) motorway linking Islamabad and Lahore, the capital of Punjab. His political opponents say the scheme is a huge waste of money.

The crisis will do little to enhance Pakistan's interna-

tional reputation as a place in which to invest. But Mr Sartaj Aziz, Mr Sharif's finance minister, says that companies which have already committed themselves to Pakistan will press ahead, including Honda Motor, the Japanese car maker which is building a small assembly plant near Lahore, and Bear Stearns and Merrill Lynch, the US stockbroking companies which are establishing joint ventures in Karachi.

Foreign governments will be closely watching the impact of the crisis on Pakistan's external relations. There is a risk that Pakistani politicians on the campaign trail may try to court easy popularity by appealing to nationalist or Islamic fundamentalist sentiments - for example, by denouncing India or the US, which is considering whether to blacklist Pakistan as a terrorist state for its support for insurgents in India.

A more probable international effect of the crisis could be that Pakistani leaders will be distracted from dealing with external affairs. Foreign visits will be postponed or cancelled. That in itself will be serious enough because Pakistan has found it hard to redefine its foreign policy since the end of the Afghan War. Relations with the US, Afghanistan, Iran and above all India need attention.

# ANC struggles to control its radicals

WHEN AN obscure leader of the black supremacist Pan-Africanist Congress in South Africa gets more applause at a rally than Mr Nelson Mandela himself - as happened last week in Soweto - the African National Congress knows it has something to worry about.

The murder of Mr Chris Hani, whose funeral yesterday ranked as one of the most important political events in South African history, has seriously threatened the always fragile unity of the ANC.

It has jeopardised the ascendancy of moderate ANC leaders who have brought South Africa to the brink of agreement with the government on a post-apartheid constitution and forced them to adopt militant rhetoric and tactics to please angry supporters. It has also jeopardised relations with the ruling National party, destined to be the ANC's coalition partner in any multi-party interim government.

Inevitably, moderate leaders such as Mr Mandela, Mr Cyril Ramaphosa, secretary general, and much of the top ANC leadership, have grown away from their mass base as they have moved towards power-sharing with whites. (The maverick Mrs Winnie Mandela says they show indecent haste to sleep between "the silken sheets of power.") She has been encouraging ANC crowds to "kill the Boers, kill the farmers."

Links between the moderate leaders and the radical youth, the unemployed, with the huge underclass, are tenuous at best. Mr Hani's death raises the risk that the ANC leadership will lose control of that radical constituency, either to the black power-inspired PAC, or to chaos itself. The PAC so far has negligible support, despite the symbolic applause at the Soweto rally; but chaos decidedly beckons.

"Chris Hani was the umbilical cord between the African National Congress and the masses," says Mr Peter Mokaba, leader of the ANC youth league. As general secretary of

the South African Communist Party, which operates as a sort of "Millant Tendency" within the ANC, Mr Hani provided a radical home for the "young lions" of the townships while ensuring their electoral support for the ANC.

His death has thrown up two potential successors, men with

## Leadership's problems are legion, writes Patti Waldmeir

the radical credentials - and some of the charm and intelligence - to recreate that vital link. They are Mr Sam Shilowa, deputy general secretary of the Congress of South African Trade Unions, the over one-million-strong ANC-allied federation, and Mr Tokyo Sexwale, another former guerrilla commander who is leader of the ANC in the crucial industrial heartland around Johannesburg and Pretoria.

Neither yet has the stature of Mr Hani, though both have skillfully handled the huge crowds which have turned out to mourn the slain leader. So the main task of defusing the radical threat has inevitably fallen to the ANC leadership at a time when, after three years of superficially fruitless negotiations with the government, their street credibility is at an all-time low.

"Mandela released three years ago; South Africa still not free." This complaint, from a placard carried by demonstrators at Saturday's 30,000-strong march through Johannesburg, has become increasingly common as negotiations seem to bog down in ever greater detail.

"The people think that all negotiations have achieved so far is to get Chris Hani killed," says one moderate ANC leader, stressing that the ANC can no longer afford to ignore popular

discontent. "We want the people to be angry. If they were not, we would know they had given us up," says Mr Sexwale. "Now we have to see how we are going to channel this anger properly."

That seems to be the strategy behind the ANC's call for a six-week programme of mass protest action to follow yesterday's funeral. Mass action is meant to defuse that anger - damming it up, says Mr Joe Slovo, leading ANC negotiator, would be "the shortest route to an explosion" - while applying pressure to speed negotiations.

The risk is that a sustained campaign of mass action would tip the delicate balance within the ANC away from "realists" such as Mr Ramaphosa and Mr Slovo towards the romantic revolutionaries, ideological purists and firebrand socialists who make up the radical camp.

This would reverse the balance of power which has prevailed for the past seven months, since the radical-inspired ANC march on the Ciskei capital Bisho, in which more than two dozen died. Moderate ANC leaders, led by Mr Ramaphosa, took control after the blood-letting at Bisho, and were not seriously challenged until Mr Hani's death.

In the seven months, they managed to force through the most momentous policy shift in ANC history when they endorsed multi-racial power-sharing until the end of the century, a decision which broke the logjam in constitutional talks with the ruling National party and will form the basis of an eventual deal.

Mr Mandela cleverly put down a revolt over this issue, allowing the radicals to bang themselves with their own rope after they were unable to propose any pragmatic alternative to power-sharing.

The test he now faces is far greater: to lead his angry people to a level-headed constitutional deal, rather than letting their rage tip South Africa into chaos and race war.

## Hopes rise for Mideast talks

By Roger Matthews, Middle East Editor

PALESTINIANS indicated yesterday that they were close to a decision on resuming Middle East peace talks in Washington. Mr Faisal al-Husseini, who is likely to head the Palestinian delegation, said in Cairo that he expected to receive shortly a further statement from the US and Israel which would permit the talks to go ahead, probably on April 27.

The Palestinian delegation had earlier refused to accept the US invitation to return to the negotiating table today, because the response to its demands had been "ambiguous". Mr Hussein said that some of its requests had been answered clearly, "but others were answered in an ambiguous way and on others it was not clear if they were real answers or were just an attempt to calm us down."

Mr Farouk al-Shara, the Syrian foreign minister, said on Sunday that the other three Arab delegations would not attend negotiations with Israel until Palestinian objections had been resolved.

The issues centre on Israel's unwillingness to accelerate the return of nearly 400 Palestinians expelled to south Lebanon in mid-December, and restrictions on workers crossing into Israel from the occupied West Bank and Gaza.

Saudi Arabia yesterday also sought to encourage a positive Palestinian decision by offering to resume the financial support to the Palestine Liberation Organisation which was cut off during the Gulf war.

## NZ premier plays down rebel's win

By Terry Hall in Wellington

MR JIM BOLGER, New Zealand prime minister, yesterday played down a landslide win by Mr Winston Peters, a dissident in the ruling National party, in a weekend parliamentary by-election despite claims that Mr Peters may be about to launch a new centre-right party ahead of a general election due in November.

Political commentators say if Mr Peters chose he could put together an opposition grouping that could split conservative support and thus open the way to a Labour party victory.

Mr Peters rejected suggestions he would form a new party. He won the by-election by a record 11,000 votes, confirming his position as the country's most popular politician, with a rating of around 22 per cent, compared with 7 per cent for Mr Bolger.

Mr Peters, who is a Maori, was fired by Mr Bolger as minister of Maori affairs for "disloyalty" last year after he constantly accused the government of not honouring its election promises. Mr Peters also angered Mr Bolger by continuing to claim in parliament that there were irregularities in Bank of New Zealand's finances following its near-collapse in 1988.

Mr Peters was pressured by government members who forced him to resign from the ruling National Party's parliamentary caucus. This led him to quit his seat and stand for re-election as an independent. Two smaller opposition parties, the Liberals and the Alliance, made overtures to him.

## Economic reform for S Korea

By John Burton in Seoul

THE two-month-old government of South Korean President Kim Young-sam said yesterday that it planned to introduce extensive economic reforms during its five-year administration.

The guidelines released by the economic planning board established goals for economic deregulation. A detailed blueprint on their implementation will be announced at the end of June. Some of the measures announced yesterday had been promised by earlier administrations, but were delayed for political reasons.

Although the new programme is impressive in its scope, some seasoned analysts in Seoul expressed reservations that, based on past experience, it would reach fruition. The measures include financial liberalisation to ease state controls on the banking sector and cut the government's role in credit allocation.

The nation's 23 commercial banks will be encouraged to merge and will be allowed to expand into other financial sectors. Almost all interest rates will be deregulated by 1994.

Credit controls on the nation's big industrial conglomerates, or *chaebol*, will be abolished but they will be replaced by tougher anti-trust laws to force them to concentrate on a few core businesses instead of operating a wide range of diversified activities.

Institutional investors will be encouraged to raise their *chaebol* shareholdings to cut the influence of family owners that now dominate them.

## Prices increase sharply in China

By Tony Walker in Beijing

INFLATION in China's biggest cities surged in the first quarter, prompting fears of economic overheating could bring tighter credit curbs and direct government intervention to slow imports.

China's state statistical bureau reported that prices in the country's 35 biggest cities jumped on average 15.7 per cent in the three months to March compared with the same period last year.

Shanghai and Guangzhou, where the economic boom has been most marked, recorded the highest rates: 16.7 per cent and 17.2 per cent respectively. Prices rose 14.6 per cent in Beijing and 12.3 per cent in Tianjin.

The price surge is certain to strengthen arguments in the leadership of conservatives who have been urging measures to cool an overheated economy. Reformists have been resisting these pressures, but may now feel obliged to take more rigorous action to restrain activity.

China recorded average growth last year of 12.8 per cent. Economic activity has continued unabated in the first quarter of this year in spite of credit curbs. These seem certain to be strengthened along with efforts to slow growth in the money supply.

Mr Lewis Preston, president of the World Bank, recently cautioned Beijing about the dangers of the economy running out of control.

He said China's economy could sustain rates of growth of between 7.5 and 8 per cent without risking the stop-go cycle of the 1990s. Then, the leadership resorted to draconian credit curbs and import restraint to slow activity.

"The need to sustain growth within the bounds of what the physical and institutional structures can handle is paramount in their minds," said Mr Preston after meeting top officials.

Chinese officials insist that these latest inflationary pressures are different from those of the 1980s that threatened the reform programme.

These derive less from rampant borrowing and excessive imports, they say, than structural changes that have led to sharp increase in basic commodities such as foodstuffs and fuel.

But western economists say the leadership cannot afford to be sanguine about a wage-price spiral that may prove difficult to control without resorting to measures that might threaten the economic reforms themselves. These officials note that wages have also surged in line with price rises.

## Many ADB projects 'failed'

By Victor Mallet in Jakarta

MORE than 60 per cent of Asian Development Bank projects scrutinised by bank staff last year either failed or were only "partly successful", according to the ADB's 1992 annual report yesterday.

The ADB said the average success rate for its aid projects had declined over the last five years, largely because the projects had become more complex and because more of them were directed at poorer member countries where they were more likely to fail.

Last year, the ADB approved a total of \$5.12bn (£3.4bn) in

loans and investments, with the energy sector - power stations and transmission lines - taking the largest share and accounting for about 29 per cent of the total.

Most of the projects evaluated by ADB officials in the course of 1992 dated back to the 1980s. Of the 28 projects chosen for evaluation, 12 were classified as "generally successful", 12 as "partly successful" and five as "unsuccessful".

However, the definition "partly successful" is controversial. For example an engineering education project in the Philippines was defined as "partly successful" although,

by the ADB's own admission, the facilities provided remained largely unused, the quality of engineering education had not improved as expected, and the examination pass rates for graduates of engineering schools under the project had in fact declined.

Some ADB staff have criticised the prevailing attitude to failed projects, accusing the bank's managers of headquarters in Manila of simply wanting to spend more money instead of listening to the ADB's own post-evaluation office and learning how to spend money more effectively.

## Indian industrial and military facilities within missile range, says report

## China 'dumping N-waste in Tibet'

By Tony Walker

A TIBETAN emigre organisation has accused China of dumping nuclear waste haphazardly on the Tibetan plateau, and establishing missile sites there aimed at India.

The International Campaign for Tibet also claimed people living near a top-secret nuclear facility had developed cancers because of careless handling of radioactive material.

Chinese officials had no immediate comment on the Tibetan claims. Last year

China firmly denied a charge by the Dalai Lama, Tibet's exiled spiritual leader, that it was jettisoning radioactive waste in the Tibetan region.

The ITC claimed that China had deployed nuclear missiles in at least three sites on the Tibetan plateau. It said that forced prison labour had been used to build the sites.

China's positioning of nuclear and non-nuclear weapons on the Tibetan plateau has put many of India's major industrial and military facilities within striking distance of short-range missiles, said the

report entitled Nuclear Tibet.

The report said the waste from a facility known as the "Ninth Academy" in Qinghai province north-west of Tibet had been dumped in a "rough shed and haphazard" manner. ITC also resurrected claims that China was planning to build a nuclear reactor near the Tibetan capital, Lhasa. Beijing rejects the claims.

The US-based organisation, formed in 1988 to monitor human rights in Tibet, said its report was based on interviews with Chinese nuclear experts, government officials, and two

ITC fact-finding missions.

"China's nuclear programme is only a fraction the size of those in the United States and the ex-Soviet Union... but in areas of nuclear proliferation, lack of worker safety and irresponsible waste disposal, China's record is as poor or even worse than those of other nuclear powers," said the report.

The Ninth Academy was used to design China's nuclear arsenal through the 1980s, and continues to be Beijing's primary nuclear arms research facility, the ITC report stated.

## Japanese money supply contracts by 0.3%

By Charles Leadbeater in Tokyo

THE FRAGILITY of the Japanese economy was yesterday underlined by a 0.3 per cent contraction in the money supply last month compared with March last year. The decline was a reverse from the modest expansion in February, which marked the end of a five-month money supply contraction from September.

The BoJ also revised down the February rise in the money supply to 0.1 per cent from its initial estimate of 0.2 per cent.

The central bank believes the fall in the money supply has probably reached its bottom but that it will not start growing until corporate demand for bank borrowing increases, which is likely only when industrial production rises.

The contraction was partly due to the surge in the yen's value against the dollar which has reduced the yen value of foreign currency deposits.

The broadly defined money supply, which includes cash in circulation plus certificates of deposit, shrank by 0.3 per cent.

مكتبة النجف



Stimulus proposals test president's political muscle and Republicans' blocking tactics

## Clinton lobbies for economic package

By Jurek Martin in Washington

POLITICAL Washington moved into high gear yesterday as the Senate renewed after the Easter recess to take up President Bill Clinton's long-stalled and now reduced economic stimulus package.

Mr Clinton stepped up his lobbying campaign with an address to a trade union convention emphasising the need for short- and long-term job creation. Over the weekend he had sought to prise loose selected moderate Republicans who have so far sustained the party's united filibuster against his proposals.

Senator George Mitchell and Sena-

tor Robert Dole, the Democratic and Republican leaders, also planned a private session to see if a compromise could be ironed out.

In public, however, neither seemed in a mood to give in. Mr Mitchell described the Republican strategy as one of "gridlock, filibuster, obstruction, delay, defeat and embarrassment President Clinton". But he conceded that the original \$16.5bn (£10.7bn) package, cut by about \$4bn by the president last Friday, had no chance of passage.

Mr Dole said he could accept one part of the proposals - \$4bn to extend unemployment benefits - and might make "exceptions" for other elements,

including a \$300m national immunisation plan. But he insisted emergency spending was unnecessary in the current economic climate unless financed by additional spending reductions.

The affair is proving a test both of Mr Clinton's political muscle and of the Republican blocking tactics. Partly distracted by other events, including the summit with Russian President Boris Yeltsin, the continuing Bosnian crisis and concern about the aftermath of last weekend's Los Angeles trial verdict, Clinton has not focused as much on ending the Republican filibuster as he had earlier on getting his substantive budget-cut-

ting plan through the legislature.

The current impression, which Mr Clinton needs to dispel, is that his initial victories led him to underestimate opposition to the stimulus package, which includes some Democrats. Simultaneously, he is being accused of trying to do too many things at once.

Last week's speculation that the administration was considering a national value added tax to help finance health care reform, seems not to have helped Mr Clinton.

For his part, Mr Dole seems conscious of the need to avoid being labelled as the prime perpetrator of the dreaded political "gridlock", but is

equally mindful of the importance of giving his own party, a minority in both houses of Congress and facing a Democratic president for the first time in 12 years, a distinctive mission.

He is accorded much credit for keeping the 43 Senate Republicans in line on the filibuster, only breakable if 60 members of the 100-strong Senate vote to end it. He has been encouraged by some measurable recent declines in Mr Clinton's popularity ratings.

But Mr Dole, a close friend of Mr Mitchell, also has a reputation for preferring compromise to the confrontational approach typical of his party's right wing.

## Menem finds Congress less a rubber stamp

Opposition forces pensions compromise on a president used to getting his way, writes John Barham

PRESIDENT Carlos Menem of Argentina has become used to getting his own way. But his once unassailable political authority, particularly his ascendancy over Congress and the Peronist party, seems to be wavering.

Last week the opposition forced his government to negotiate a compromise formula on a bill reforming Argentina's pension system.

The bill was introduced to Congress last August. The eight-month delay may not seem unusual, but the government had become used to a pliant Congress enacting government legislation at high speed. In 1989 it rapidly granted Mr Menem virtually dictatorial powers to halt hyperinflation. Two years ago, it swiftly approved a bill making the currency convertible, paving the way for economic recovery. As economic emergency recedes, Congress is less willing to rubber-stamp legislation. Bills privatising the gas industry and then the national oil company ran into heavy opposition in Congress.

The proposal by Mr Domingo Cavallo, the economy minister, to replace the collapsing state-run pension system with a semi-private scheme may be no more daring than other reforms once thought impossible in Argentina, but it is facing far greater opposition.

Mr Cavallo says pension reform is a crucial part of his broader economic strategy. Not only would pensions cease to be a financial burden for the state, but a private pension system would invigorate capital markets, boost domestic savings, reduce reliance on imported capital and provide long-term finance for industry.

Under the original plan, employees would compulsorily channel 11 per cent of their wages into individual retirement savings accounts handled by private fund managers.

But militant pensioners, opposition politicians and disaffected members of the ruling Peronist party obstructed the pension bill ever since its introduction.

Last week, they finally won a government promise to make

contributions to a private scheme voluntary.

This could radically change the future pension system. It could mean that only the better-paid would opt for a private scheme, while lower-paid employees would continue contributing to the state scheme. Thus, the private system would be more profitable for management companies while the state would still be left with a heavy financial liability.

Congress had already diluted the bill's original text. One change required the state to establish minimum investment returns for retirement saving accounts. Another requires state-owned Banco de la Nación Argentina to guarantee accounts against failure.

The government is running out of time. Unless Congress approves the bill before campaigning begins for October's congressional elections, its chances of becoming law this year will become even more remote. The government has a majority in the Senate, but

lacks a majority in the lower Chamber of Deputies.

The Peronists' 117 seats make them the largest party in the Chamber, but are still 12 seats short of a majority. Furthermore, a small but crucial splinter group has defected to the opposition benches.

Underlying the increasing opposition is a growing awareness of Mr Menem's need for support in his over-arching ambition to win re-election. A two-thirds majority is required in Congress just to start this complicated process, as the constitution at present prevents incumbent presidents from seeking a second term. Many politicians are exploiting the government's urgency to demand favours for themselves or increased spending for cash-hungry local government.

Many politicians oppose the pensions bill because they say

it is technically flawed. Opposition Congressman Alberto Natale says: "The present system is a disaster, but the government proposal is no good either." Mr Natale says the private system's high operating costs would consume one-third of contributors' savings. He claims most savings would not be channelled to private industry, but into government bonds, not a traditionally reliable investment.

A New York banker added: "There are a lot [of politicians] who are not happy at losing \$3bn (£1.94bn) a year in cashflow to the private sector that they could distribute for their own populist ends."

Others believe it is wrong to profit from pensions, and want them to remain as a branch of social policy under government

control.

The unions - which remain influential in the Peronist party - are also opposed to the reform. There is also a well-founded fear that Argentina's financial community could bankrupt the system.

However, most observers, be they government officials, bankers or politicians agree the pensions bill will eventually become law.

The government has another two highly controversial bills to introduce this year. One would reform Argentina's notoriously rigid labour market, the other is Mr Menem's constitutional reform package.

But the pension reform's troubled progress through Congress is proof that ministers can no longer automatically expect smooth treatment for government business in the future.



Sergei Khrushchev, son of the former Soviet leader, and his wife Valentine in their Rhode Island home. An interview with US immigration officials yesterday was the last hurdle before they could obtain US residence cards.

## Mexican poll protest

OPPOSITION parties cried fraud and demanded that an election be cancelled after early results yesterday gave Mexico's governing party a huge win, AP reports from San Luis Potosi.

More than half the eligible voters in the central Mexican state of San Luis Potosi, which has seen two interim gover-

nors in two years, stayed home during special elections on Sunday to choose a governor and 13 congressional deputies.

Mrs Concepcion Nava Calvillo, 72, the widow of one of Mexico's most famous opposition leaders, ran against her son-in-law, Mr Horacio Sanchez of the ruling Institutional Revolutionary party (PRI).

## Venezuela ruling party picks black to run for president

By Joseph Mann in Caracas

VENEZUELA'S ruling Democratic Action (AD) party has chosen a black ex-mayor as its presidential candidate in national elections scheduled for December this year.

Mr Claudio Fermin, 43, easily beat three other candidates in Sunday's primary. Although known as a populist, Mr Fermin has not had time to put together a comprehensive political programme.

After winning the primary he said he would not change my national policies producing positive results.

The Social Christian party, second largest after the AD, is due to vote for a presidential candidate on April 25. Former president Mr Rafael Caldera and Mr Andres Velasquez, a leftist state governor, are the principal candidates.

Despite inroads by other parties, AD and the Social Christians dominated state and local elections last December.

AD has won five of the seven presidential elections held since the last military dictator was ousted in 1958. This year, however, the ruling party is facing serious challenges as voters grow disenchanted with

the traditional political leaders. Military rebels tried twice last year to overthrow the government.

AD is viewed as corrupt and inefficient and is blamed for the tough economic reforms that President Carlos Andres Perez, a founder of the party, began implementing in 1989.

Mr Fermin is the first black to run for president in Venezuela. He has degrees in sociology and law and has spent his life working as an official in the AD.

In 1990 he was elected mayor of west Caracas, Venezuela's largest municipality.

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## Employers cautious on start of recovery

By Emma Tucker,  
Economics Staff

RETAIL SALES grew at their fastest rate since November 1991 in the year to March, but the improvement is not yet firmly established, the Confederation of British Industry (CBI) reported yesterday.

Sales volumes last month were up on a year ago for the third consecutive month, but the CBI - the UK employers organisation - warned that the increase in spending had not yet spread to all sectors of the retail sector.

A consumer confidence survey from Gallup also cautioned against excessive optimism about the recovery, finding that only a fifth of 3,000 respondents thought the financial position of their household would improve over the next 12 months.

The latest Gallup survey, conducted on behalf of the European Commission, suggests that people are very cautious about the strength and durability of any recovery, with the March budget making little positive impact on confidence.

Construction output will fall further this year than had been expected, an industry forecasting body said yesterday.

The National Council of Building Material Producers said it expects output to fall by 2.5 per cent this year. It had been forecasting a 1.5 per cent decline.

The group blamed the outlook on a worse-than-expected downturn in commercial property building and the government's delay in giving the go-ahead for the £1.7bn Jubilee Underground line extension in London.

In its monthly distributive trades survey, the CBI reported that recent sales growth has been concentrated mainly in the large chain stores and mail order companies, while small chain stores continue to report sluggish sales. Individual retailers still report trade down on a year ago.

Overall, retailers indicated that sales for the time of year were only a little below levels they would consider average for the time of year.

The outlook for wholesalers is promising, according to the survey. Last month there was a strong year-on-year increase in sales volumes, against February when sales declined. Wholesalers were also able to reduce stock levels in March following the better sales, in spite of an increase in orders placed with suppliers.

Motor traders reported their fourth consecutive month of rising year-on-year sales in March, with both vehicle sales and sales of parts and accessories up.

The Gallup survey found that 20 per cent of the people interviewed expect the financial position of their household to improve over the next 12 months. This was the same as in March, but lower than in January and February.

"The so-called feel good factor is not being widely felt by consumers," said Gallup, although it added there were signs of improvement in the economy in general. Three in 10 expect the general economic situation to improve over the next 12 months, only slightly less than those who expect to see it deteriorate.

## Daf workers take pay cut to support buy-out plan

By Robert Taylor

WORKERS at Leyland Daf's van production plant in Birmingham agreed yesterday by a large majority to accept a pay cut of up to 8 per cent to help in a management buy-out of the threatened plant.

Most of the 1,000 employed will have wage cuts of 5 per cent, which will mean a £12.50 reduction in their average weekly wage of £250. But some staff who received a 3 per cent rise in January, before the company went into receivership, will lose that increase as well as the 5 per cent cut.

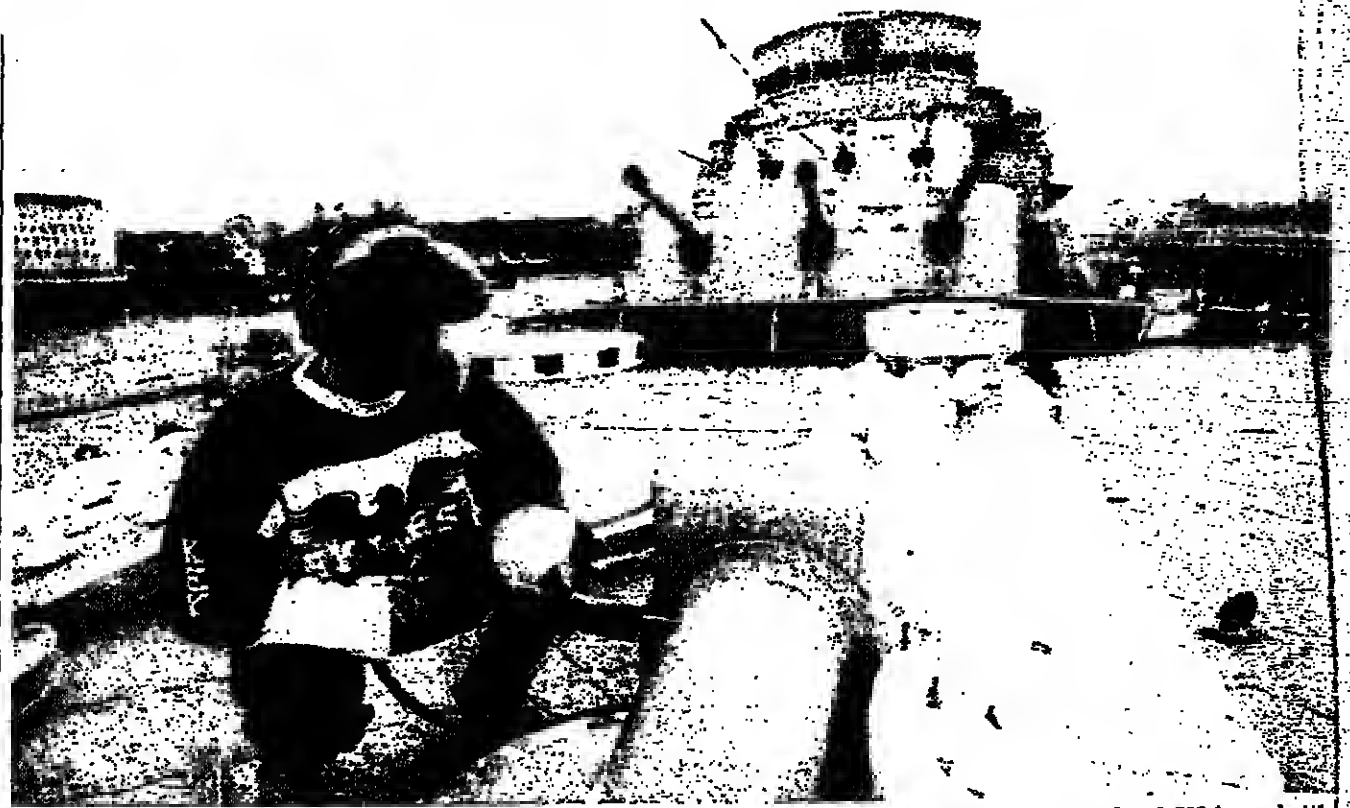
The pay cut will hit everybody at the central England plant from the boardroom and senior management to the shopfloor. Directors stand to lose £3,000 a year as a result.

Trade union negotiators were reluctant to agree to the cuts, which also involve longer working hours, a deterioration in the value of pension benefits and lower levels of redundancy payment. "We only see this as an interim measure to help the buy-out team," said Mr John Allen, the AEU's chief negotiator. "We will be back as soon as the company shows signs of profitability to seek a restoration of salaries."

Mr Tony Woodley, chief negotiator for the Transport and General Workers union said that the agreed cut in pay was designed to help in the "successful launch" of the new Daf operation.

"Our priority has been to safeguard employment in the motor industry and we believe this deal will help secure that objective," he said. He added that the union is looking forward to restoring the cut "as soon as possible".

The pay cut is being linked, however, to an element of profit-related pay, although the details of this were not revealed yesterday. "A profit-related element is one way that all the employees can contribute to the success of the new company," said Leyland Daf yesterday. "We have to remain competitive and cut every cost we can. It will be reinvested in the future of the company."



Shipspace: a contractor begins work on stripping and repainting HMS Belfast in London yesterday. Work on the 11,500 tonne battle cruiser, a floating war museum moored near Tower Bridge in the Pool of London, is expected to be completed by mid-May. Museum officials estimate 5,000 litres of paint will be used to restore the ship in its four-colour North Atlantic camouflage.

## Britain in brief



### Former Eagle Trust chief jailed for theft

Mr John Ferriday, former chief executive of Eagle Trust, was jailed for six years for stealing £13m to cover losses in the 1987 Black Monday stock market crash.

Mr Ferriday, of Sutton Coldfield, West Midlands, was found guilty by jury earlier this month of five theft charges after a 10-month trial. He had denied stealing £12.25m and 1.7m shares belonging to Halesowen-based Eagle Trust.

At Wolverhampton Crown Court, Judge Malcolm Ward described Mr Ferriday as "totally unscrupulous" and disqualified him from being a company director for 10 years.

### HSE to probe chemicals link

The Health and Safety Executive is to investigate the links between chemicals used in semiconductor manufacturing and miscarriages suffered by women in the industry.

The UK investigation follows a recent large-scale US study which found a miscarriage rate of between 12 per cent and 14 per cent among women working in semiconductor manufacturing. This compared with 10 per cent for the population as a whole. Between 2,000 and 2,500 women are estimated to work in semiconductor manufacturing in the UK.

### Machine tool company saved

The managing director of Dean Smith & Grace has saved part of the Yorkshire-based machine tool company from closure by acquiring the spares, service and rebuilding activities from the US parent company, Monarch Machine Tool. Monarch had said in

December that it would close Dean Smith & Grace in June because of the recession. A new company, DSG Lathes, has been formed to focus initially on re-engineering lathes.

### Airport boost

International passenger traffic at Manchester Airport was 14 per cent higher in March than in March last year while domestic passenger traffic was up 8 per cent. A total of 12,54m passengers used the airport in the year to end March, compared with 12.4m for the year to March 1992.

### More job cuts in coal industry

Job losses even more jobs will have to go from the coal industry if British Coal is to become fully competitive with imports, Mr Neil Clarke, the company's chairman, has warned. Mr Clarke said the recent package of measures proposed by the government were only a breathing space. "If we are prepared to accept the assistance of the taxpayer

to allow us to become yet more efficient, then we must accept that there will be a price to pay," he said.

### Gas auction completed

British Gas has completed its second gas auction, offering supplies to 102 companies which applied for gas under the release programme agreed by the company as a way of encouraging competition in the industrial market. British Gas has sold 200m therms as part of a four-year plan to halve its share of industrial supplies.

### School visits for employers

Mr Tim Boswell, the education minister, called on employers to visit primary schools to "bring the curriculum alive" for pupils. He said: "No child is too young to start learning the skills which will be needed in adult working life. So it is particularly important that school-business links start early."

## Record fine imposed over construction worker's death

By Diane Summers,  
Labour Staff

A LONDON construction company was yesterday fined a record sum for a health and safety offence following the death of a worker in the new ring main, the water pipeline being built under the city.

J Murphy and Sons was fined a total of £160,000 plus £28,000 costs following the accident in February 1991.

The Health and Safety Executive (HSE), which brought the case to court, said the level of the fine reflected "a widespread corporate failure" to recognise safety rules.

Mr Jelf Hinksman, HSE deputy chief inspector, said the

fine "should serve as a warning to all firms in the construction industry to take their management responsibilities for health and safety seriously".

The court heard that Mr William Kerr had died from an electric shock suffered while working underground on stage two of the ring main project. He was one of a number of subcontracted workmen moving a 3.3kv electrical transformer inside a tunnel.

The company was fined £150,000 for failing to have a system for ensuring the safe design, construction and maintenance of the electrical system at the site. It was also fined £10,000 for failure to

maintain the electrical system involving the transformer. The £28,000 costs were awarded to HSE.

J Murphy and Sons said last night that it deeply regretted the fatal accident. "The company views the safety of its employees, contractors and members of the public as being of prime importance. It has carried out a full investigation of this accident and has reviewed and revised its procedures for electrical safety on all sites," the company said.

Other, larger, fines - for example some following deaths during the construction of the Channel tunnel - have been awarded jointly against several contractors.

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# Confusion in Commons on Maastricht social chapter

By David Owen

ATTEMPTS by the opposition Labour party to corner the government over the Maastricht treaty's social chapter were thrown into confusion last night.

Left-wing Labour MPs tabled a motion of censure in Mr Michael Morris, deputy speaker - who oversees proceedings in the Commons - after the government seemed to have been put on the defen-

sive by Mr Morris's decision to accept a new Labour clause calling for an explicit vote on Britain's social chapter opt-out.

This appeared to be a set-back for the government since the selected clause is more tightly drawn than the similar Labour clause which the government said last week that it would accept.

It remained unclear whether the clause - known as new clause 74 - had the potential to

pose a real threat to the Maastricht process by forcing the government to choose between accepting the social chapter and ratifying the treaty.

The three Labour signatories to yesterday's motion of censure seemed to think that it did not: Mr Peter Shore described both it and the new clause accepted by the government last week as "entirely agreeable" to the government.

The motion was tabled after Mr Morris, the MP presiding over detailed consideration of the Maastricht bill, again confirmed that he would not allow MPs to vote on a potentially crucial Labour amendment which would remove the protocol containing Britain's social chapter opt-out.

Mr Morris, the MP presiding over detailed consideration of the Maastricht bill, again confirmed that he would not allow MPs to vote on a potentially crucial Labour amendment which would remove the protocol containing Britain's social chapter opt-out.

The motion - tabled by Mr Tony Benn, Mr Dennis Davies and Mr Shore - expressed regret that Mr Morris had decided "contrary to normal practice" not to permit a divi-

sion on an amendment "having allowed a debate upon it to take place". It called upon Mr Morris to "reconsider his ruling forthwith" and permit MPs to "reach a decision on that amendment".

But there were predictions last night that its main effect could be to make a vote on the amendment less rather than more likely.

This was because it might undermine the efforts of the Labour front bench to secure a

vote on the amendment - known as amendment 27 - during the bill's report stage.

If the motion was heavily defeated, the reasoning went, it would suggest MPs were happy with Mr Morris's ruling and could therefore weaken the argument for holding such a vote at report stage.

With Labour and Conservative front benches highly likely to oppose the motion, such a defeat was last night looking much the most probable out-

come. Mr Jack Cunningham, Labour "shadow" foreign secretary, used the last of nearly one hour of points of order with which yesterday's Maastricht debate got under way to appeal to MPs to "pause and study very carefully" what had been said.

This was not least because Labour did not want to "throw out" the opportunity of voting on amendment 27 at the report stage.

## Proposals on racketeering prompt row in N Ireland

By Jimmy Burns

THE government has become embroiled in a row with its main advisory body on human rights in Northern Ireland over proposals to combat terrorist-linked racketeering in the construction industry.

A working document prepared by the Northern Ireland Office (NIO) proposes a package of measures including the issuing of identity cards for building workers, a special licensing scheme for construction companies, new regulatory powers to customs officers and inland Revenue inspectors, and a widening of emergency anti-terrorist legislation.

The NIO estimates the IRA raises more than £2m per year through construction industry related tax fraud and extortion.

It emerged yesterday that the proposals have been the subject of heated exchanges between the Standing Advisory Commission on Human Rights and the NIO. The row escalated after the Commission was bypassed by the government in an initial consultation exercise at the beginning of February.

The commission learnt about the proposals from Mr Kevin McNamara, the opposition Labour party's spokesman on Northern Ireland last month.

The government is also facing considerable opposition over the way it consulted employers and labour groups on its proposals to combat terrorist funding.

Mr Nigel Smyth, Northern Ireland director for the Confederation of British Industry, said the working paper implied excessive regulation which could unfairly discriminate against small and medium sized companies.

The Irish Congress of Trade Unions believes the government's ID scheme risked the production of counterfeit identification badges by terrorist organisations and thus a continuation of the racketeering the proposals are designed to eliminate.

## European Bank puts £98m into Tube extension

By Vanessa Houlder, Richard Tomkins and Alison Smith

THE EUROPEAN Investment Bank (EIB) yesterday agreed to provide £98m of the private sector's £160m contribution towards the £1.8bn Jubilee Line underground extension from central London to the docklands.

The link is seen as vital in persuading more businesses to move offices to the London Docklands, the Thameside development zone east of the City where thousands of feet of new office space have been left vacant amid concerns that the area suffers from poor communications.

Bankers said the EIB decision meant that the most important hurdle in providing the £160m contribution to the Jubilee's costs had been cleared. The government had been insisting on £400m from the private sector but this is spread over 30 years, so is worth £170m in today's value.

The EIB is owned by the European Community member states.

The EIB said its decision completed the financing arrangements necessary for Canary Wharf - the office complex developed by Olympia & York - and cleared the way for the UK government to begin the construction of the Jubilee Line extension.

London Underground, which

will build the line, welcomed the EIB's decision to approve the £98m payment but it remained cautious over the prospects of an early start on construction of the £1.8bn extension. Several more hurdles needed to be cleared before the go-ahead could be given, including government approval, it said.

The banks have also got to reach agreement with London Underground on the construction contract including setting a deadline for completion of the project.

If these obstacles are successfully overcome, work on the line could start more or less immediately. Preparatory work has been carried out at London Bridge and Westminster and London Underground has more than 500 contracts ready to sign.

The negotiations between bank lenders to Canary Wharf and the government on the private sector contribution for the Jubilee Line have been going on for almost a year, following the collapse of Olympia & York, the Canadian company which built Canary Wharf, the new east London property development.

The EIB loan was agreed as part of its remit to speed up the financing of large infrastructure projects in order to encourage European economic growth.

## Company reports show executive pay is outstripping inflation writes Lucy Kellaway

### British directors are greedy - official

It's official: British directors are greedy. They have been described that way by Mr Roger Young, head of the Institute of Management, which yesterday published a report showing that directors' pay is rising at more than twice the rate of inflation.

The same picture is emerging from this year's annual reports season. While large companies such as British Gas and ICI and have announced pay freezes in the boardroom, many others are causing raised eyebrows for fat pay increases for top people. British Aerospace, Hilldown Holdings, SmithKline Beecham, BAT, and English China Clays have all hit the headlines recently over rises in executive pay.

The onus is now on them to prove that they deserve such big payments. In general, the evidence suggests this is not always the case.

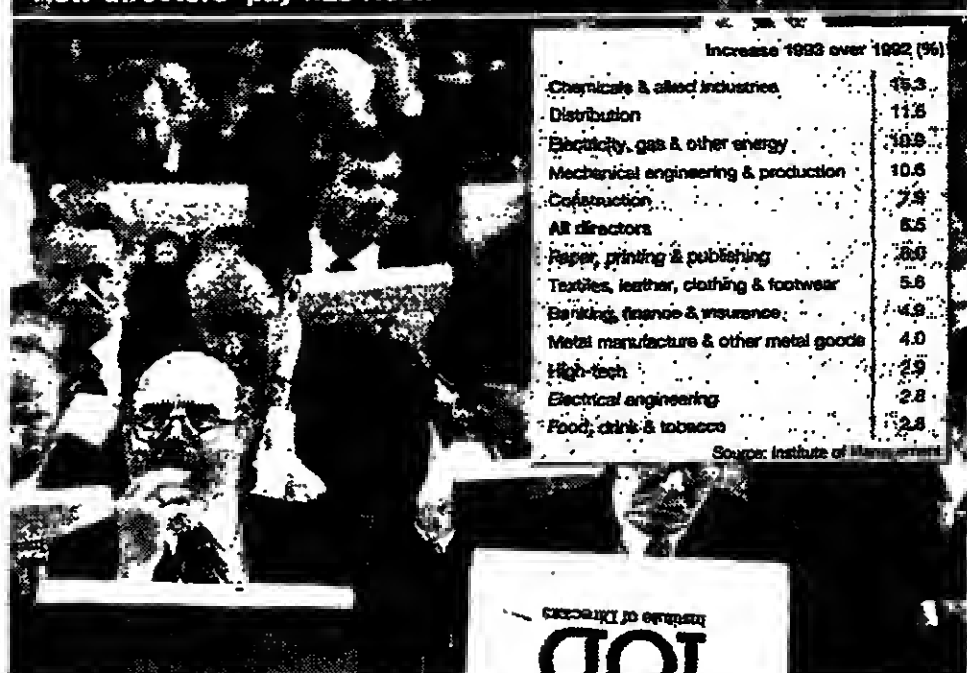
This year companies are being a little more open about what they pay their top people.

Prompted by the Cadbury Committee's report on corporate governance, companies are starting to provide more information in their annual reports.

Most of the big companies have included in their 1992 report a new section at the front on corporate governance, declaring compliance with the Cadbury code - which comes into force in June.

They are providing details of their audit and remuneration committees, and are breaking down directors' pay and the pay of the chairman and high-

How directors' pay has risen



est paid director into salary and bonus elements.

For many this marks a big departure: according to a survey by Monks Partnership, the pay consultancy, only 16 per cent of FTSE companies fully complied with the code in their 1991 accounts. Many companies have made significant changes already: Lloyds Bank, for example, which complied with none of the guidelines last year, now meets all of them.

Even companies which fully

meet the code would seem to need further explanation of directors' pay.

For instance Mr Bob Bauman, chief executive of SmithKline Beecham, the pharmaceuticals group, increased his pay by 20 per cent last year to £1.5m, while

profits before tax rose by just 11 per cent. The report shows that the bulk of the rise was in bonus, but that his basic salary and perks rose by 12.5 per cent.

A spokesman said he deserved the rise as the company had performed well.

The Institute of Management survey shows that the level of pay increases varies sharply from one sector to another, yet those differences are not balanced by similar differences in profitability.

In chemicals and allied industries directors received pay rises of 15.3 per cent last year, while the earnings of the chemicals sector as a whole fell by 11 per cent.

Meanwhile directors of food, drink and tobacco, received less than 3 per cent more last

year, yet their companies performed relatively well last year. In particular, food retailers increased earnings by about 11 per cent.

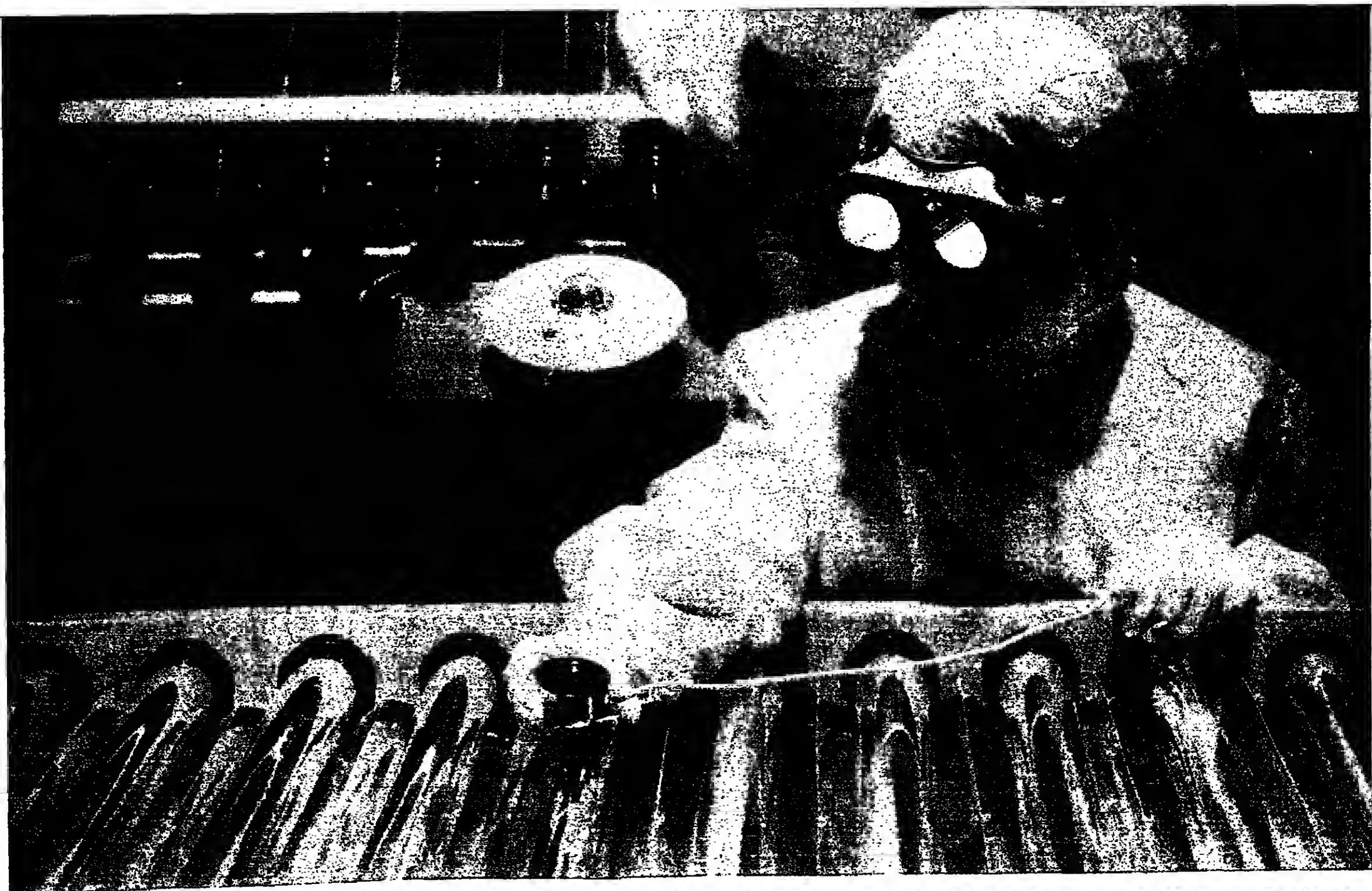
Mr Young points out that sector figures mask large differences in the pay of individual companies. For instance, the big increase in top pay of energy companies may be largely a reflection of a catch up in the pay of electricity utilities following privatisation.

Even within each sector, however, the position is different. In the energy industry some companies such as British Gas are showing restraint - after causing a public outcry the previous year with an over-generous pay rise to Mr Robert Evans, chief executive - whereas some smaller ones are not doing so.

Shareholders in Premier Consolidated Oilfields are getting restive at the 50 per cent increase in total directors pay last year, and are planning to put embarrassing questions to the agm next week.

Companies themselves give a wide variety of reasons for pay rises to directors.

The most spectacular rise was the doubling of directors pay at Hilldown Holdings, the food company. Even though the company made a loss of £50m, directors' pay rose from £2m to £4m. The company says this was due to an increase in the number of directors on the board, and to a £500,000 bonus paid to the new chief executive Mr David Newton, for turning around the company's performance at its Canadian subsidiary.



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## TECHNOLOGY

## Technically Speaking

## Back to square one - or two

By Alan Cane

THE life cycle of many management techniques follows a predictable pattern. First, the business school academics and management gurus come up with an innovation that they declare will confer competitive advantage, multiply profitability, improve flexibility and the like. Then it is taken up by the management consultants which spread the word far and wide.

After a time, the deus ex machina move in to expose the hype and challenge the myths. After the saving, what remains may prove to be of real value to managers and organisations.

Business process re-engineering (BPR), currently a hot topic among management experts, is just entering the third phase. If its progress runs true to form, it should be possible within a few months to distinguish the elements of lasting value through a smokescreen of misinformation and mystery.

BPR is a way of improving business efficiency. It involves taking a view of the company that focuses on key processes rather than traditional functions, divisions or products.

Changing these processes through redesign and the use of technology can lead to order-of-magnitude improvements, the argument goes. Certainly, it has proved persuasive enough to become enormously fashionable in the US and Europe. Computer Sciences Corporation, a large US-based pioneer of BPR, says it attracted 1,500 executives to its annual conference in Boston this month, double the number that attended a year ago.

OTR, an energetic, Brussels-based consultancy, has taken a critical look at BPR, driven by a belief that many senior managers have reservations. As, they reason, their business was never engineered in the first place, how can it be re-engineered?

OTR's chief conclusion is that BPR is based on real principles and there can be genuine value in applying them, but that hyperbole is confusing the picture.

It concludes, for example, that claims for BPR applications are often exaggerated. It cites Hallmark Cards in the US. While BPR is supposed to imply fundamental rethinking of the whole business, the main change at Hallmark was the installation of barcode readers in 250 stores.

"Hallmark now knows what is being sold much quicker than before," it says. While this has clearly been beneficial, the basic procedures have not been altered, notes OTR. "Hallmark still monitors which cards are sold and adjusts its stock and design requirements accordingly."

In fact, OTR concludes, nobody has re-engineered their whole business: it is too risky. Even where funds are unlimited, no company dares risk removing the pillars that support its business, rearranging them and putting them back in place - the worry is that the business would collapse before reassembly was complete.

How then can a company achieve the benefits of BPR? OTR prescribes measures which resemble those traditionally recommended for implementing information technology: leadership from the top, cultural as well as organisational change and a cautious approach - experimenting with prototype re-engineering in a small part of the organisation is better than attempting an enterprise-wide transformation.

It recommends an interesting mix of people for the re-engineering team. It suggests broadly-based insiders, dispassionate outsiders - and "rebels" who think the whole exercise will be a waste of time.

Such people are better on the inside than the outside where their fears and suspicions can help to spread doom and despondency. Their ability to spot genuine flaws in the long term. The rebel as hero is an uncommon image in management lore, but it may become increasingly familiar as BPR spreads.

*\*Business Process Re-engineering - Real or Hype, OTR Group 1993. Belgium: (02) 230 2970 UK: 071 402 3574*

British and French water companies have taken on the daunting challenge of overhauling Mexico City's water system. Hard as it is to believe, Mexico City faces a more critical problem than the suffocating smog that pollutes the air during winter months - the lack of affordable water.

The city's underground aquifer is being over-exploited by 20 cubic metres a day, and will run dry in a decade or so. It is prohibitively expensive to build a second reservoir and pump more water in from outside. And with budgets tight, a recent project to recycle water at a reservoir in Ixtapalapa at the city's edge had to be called off.

Mexico City's water commission, headed by Carlos Casasus, a former finance director at Telefonos de Mexico, has thus turned to the private sector to solve its problems. Earlier this month, two British and two French water companies and Mexican partners won a contract worth some \$1bn (£800m) over 10 years to restructure the city's water system, prepare a water census, draw up a digitalised map of secondary pipes, install some 700,000 electronic meters, and repair the city's 12,000km of pipes.

The contract is one of the biggest of its type in the world, and will turn what is probably one of the least efficient water systems into one of the most modern. "Mexico City is skipping a whole generation of technology," says Jim Southworth, operations manager of North West Water of the UK. In two years, the city will have computerised maps of the water infrastructure, electronic reading of hills by radio, and some of the most advanced and accurate meters in the world.

According to Dean Wheaton, an economist with International Water Consultants, who worked on the project, "Mexico City will become a model for the developing world. Moscow is interested and is planning to visit the system. Now West Water is following, and introducing its own pilot programme for radio reading of water meters."

The changes will have a series of effects that will reduce the water shortage. First, collected revenues should increase by about 20 per cent as the authorities expand the number of meters installed, and fewer users escape detection. Mexico City has 1.2m water users, but around 500,000 are not registered or do not pay. As a result of illegal use, Mexico City's annual water revenues are only about \$152m while costs are \$156m. The subsidy that goes to water consumption could be re-directed to increasing supplies from recycling.

Second, accurate metering will reduce consumption, even if relative tariffs do not change. Most



Mexico City's air pollution problems are legendary but its lack of affordable water poses an even bigger headache for residents

## Stemming the flow of costs

Mexico City's new water system will be one of the world's most modern, writes Damian Fraser

Mexico City residents pay a flat tariff since their meters are only read once every three years. They thus tend to waste water. Water consumption per head in Mexico City is about double that in Paris, where it is metered accurately.

Third, an accurate "intelligent" map of the water network will help the water authorities pinpoint leaks and mend them. Currently, Mexico City loses some 30 per cent of its water to unlocated leaks.

The city's water commission has divided the city into four zones, and granted contracts to four groups of companies: Lyonnaise des Eaux Dumez, Anglian Water, and Bufete Industrial; North West Water and Grupo Gutis; Severn Trent and Socios Ambientales de Mexico; and Compagnie Generale des Eaux, Grupo ICA and Banamex.

The first phase is the water census, the digital mapping of the network and the installation of meters. The census will be conducted by sending sound signals through the pipes and listening for breaks (which would mean a private connection). This way, all those taking water (legally or illegally) can be put on a computerised database and start receiving bills.

At the same time, the four water companies will install new meters, for which they will be paid per meter. Mexico now uses jet meters, in which water turns a pin wheel as it enters the system. Given Mexico City's low water pressure, pin wheels often do not turn, and the meters do not record full water consumption. The new positive displacement meters work when water enters a chamber, and pushes the piston or disc around continuously.

The meters will be read electronically. North West Water will read them using vans that pick up a radio signal. It claims one van can read 30,000 water meters a day. The other companies will install elec-

tronic touch pad meters, of which about 500 can be read by one person a day. Now, just 30 of the old meters are read a day by one person.

With the new meters, the authorities will be able to compare water production and water use in a matter of days and reduce the amount of spare capacity needed.

When the meters are in operation, Mexico City will hand over responsibility for the maintenance of supply and collection of bills to the private water companies. In effect, each company will buy water at bulk from the city's water commission, and sell it at regulated prices to the customer. Each company will thus have an incentive to be efficient in collection and in maintenance of secondary pipes.

The eventual, though unstated, goal is the privatisation of the water system. But rather than do it immediately, the government has decided to go about it in incremental steps, in view of the appalling condition of the water system, and above all the lack of information about usage and costs.

## Ice that thinks it's a liquid

It sounds like part of a fictional, arctic vision of the future, a cold and forbidding landscape where computers hold sway. But binary ice is not something in the science fiction books and its applications are the mundane ones of the supermarket and the industrial plant.

Developed by a British company called Solmelec Flo-Ice Systems, binary ice is formed through the suspension of microscopic ice crystals in a salt, sugar or alcohol solution. It has the properties of normal ice from frozen water but behaves like a liquid. This means it can be pumped and easily stored.

Solmelec has been developing Flo-Ice technology for the past six years and has licenses in 20 countries in Europe (mainly Germany), Asia, Africa and South America. It hopes to conclude a further deal in France for use in supermarkets. Interest from British companies, however, is still lagging. "There's lots of inertia over here," says Len Constant, a Solmelec director, about UK companies' response to new ideas.

With concern growing about the harmful impact on the atmosphere of refrigerants containing CFCs, Solmelec believes that the greater use of binary ice would have both commercial and environmental benefits. "The increasingly intense discussion about future refrigerants is creating headaches for manufacturers of refrigeration equipment, installers and especially for end-users," Joachim Ingerl, head of German-based Integral Technologie (a part owner of Solmelec), said in a recent paper to the UK's Institute of Refrigeration.

Crystals of binary ice have a high heat absorption rate and, in their main application, can act as a secondary refrigerant flowing round large cooling systems at temperatures below zero. This allows companies to cut down on harmful primary refrigerants which are being phased out anyway. The need for large pipes and cooling equipment is thus reduced.

Ice can also be made at night, when energy is generally cheaper, and pumped into a storage tank for use in the daytime.

Andrew Fisher

## THE FIRST MEXICO INCOME FUND N.V.

Curacao, Netherlands Antilles

## Annual General Meeting of Shareholders

Notice is hereby given that the Annual General Meeting of Shareholders of THE FIRST MEXICO INCOME FUND N.V. has been called by the Managing Director, PIERSON TRUST (CURACAO) N.V. and will be held on May 4, 1993 at 3:00 p.m. (Netherlands Antilles time) at the office of the Corporation at John B. Gorslaweg 6, Willemstad, Curacao, Netherlands Antilles.

On April 6, 1993, a notice calling for an Annual General Meeting of Shareholders of the Corporation to be held on April 23, 1993, was sent out to shareholders of the Corporation and was published by the Managing Director. Shareholders should disregard such notice and publications. The Annual General Meeting called hereby shall be held at the time and place mentioned above.

During this Annual General Meeting a proposal to change the Corporation's Articles of Incorporation increasing the authorized sharecapital of the Corporation will be tabled. A draft of the Article to be amended is available for inspection and can be obtained from the offices of the Corporation at John B. Gorslaweg 6, Willemstad, Curacao or from the Paying Agents mentioned hereunder.

In addition, the Agenda, Proxy Statement, Proxy and the Annual Report 1992 may be obtained from the offices of the Corporation and from the Paying Agents. Holders of bearer shares will be admitted to the meeting on presentation of their sharecertificate(s) or a certification as described in the proxy material.

Willemstad, Curacao, Netherlands Antilles, April 16, 1993.

## PIERSON TRUST (CURACAO) N.V.

Paying Agents  
PIERSON, HELDRING & PIERSON N.V.  
Rokin 55  
1012 KK Amsterdam

CEDEL

67, Boulevard Grande-Duchesse Charlotte  
L-1010 LUXEMBOURG

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NOTICE IS HEREBY GIVEN that the Company intends to and will redeem on May 28, 1993 (the "Redemption Date") all of the Notes which are outstanding on the Redemption Date at a redemption price equal to 100% of the principal amount thereof together with any accrued and unpaid interest on the Notes to the Redemption Date. Interest upon the Notes shall cease to accrue on and after the Redemption Date. The conditions precedent to the redemption of the Notes have occurred.

Payment will be made on or after the Redemption Date upon presentation and surrender of the Notes, together with, in the case of Bearer Notes, all appurtenant coupons maturing on or subsequent to the Redemption Date, at the specified offices of any of the Paying Agents listed below.

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2 Boulevard Royal  
Luxembourg City  
Luxembourg

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92082, La Defense 2  
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CHEMICAL

April 20, 1993

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NOTICE OF SALE

The Provisional Administrator is selling a company complex made up of:  
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- litigious rights to the exclusive use of the "Autovox" company name;  
- industrial patent rights, engineering projects, and designs;  
- grounds located in Rome, via Sambuca Pistoiese, bordering the industrial establishment of Nuova Autovox and having a total surface area of 18,312 sq.m.

at the deferrable base price of Lit 40,040,000,000, at the conditions and according to the instructions of the registered sales regulations, together with the appraisal report, on 7th April 1993 care of Notary Dr. Ignazio De Francis in Rome, via Barberini 28, Tel: +39-6-483 981.

The interested parties must submit their offers in a sealed envelope along with a deposit of Lit 4,000,000,000 in State shares or security from a primary credit institution by no later than 12:00 p.m. on 28th May 1993 to the above-mentioned Notary.

For further information and to obtain copies of the documentation, interested parties can turn to the Provisional Administrator or to the Notary.

PROVISIONAL ADMINISTRATOR  
Prof. Ing. Riccardo Gallo

Bankers Trust Company  
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CHEMICAL

April 20, 1993

## PEOPLE

## Tregoning takes on unit trusts challenge

Julian Tregoning, 46, an executive director of the Save and Prosper unit trust group, is to be the next chairman of The Unit Trust Association, which is fighting to find a role for itself in the fast-changing financial services industry.

Old Harrovian Tregoning, who has spent over 20 years with Save and Prosper, cuts a more traditional figure than the outgoing chairman, Barry Bateman, 47, managing director of Fidelity Investments. Fidelity is one of the more aggressive fund managers, while S&P is regarded by many as one of the industry's sleeping giants.

Bateman, who joined Fidelity in 1981 after stints as marketing director of Datasream and research director of brokers Hoare Govett, leapfrogged a number of rivals for the UTA chairman's job two years ago. By contrast, Tregoning (right) has arrived at the top via the more tradi-



tional route of the deputy chairmanship of the UTA.

However, one industry-watcher played down the differences in style and said that while Tregoning "might seem a bit of an old buffer, he is really quite sharp". Bateman has done a lot to modernise the UTA but his more combative style has sometimes upset powerful members.

Tregoning will have to be more than a traditional industry figurehead if he is

going to make his mark. The old demarcation lines between building societies, investment trusts and other financial services, are crumbling and unit trusts are facing increasing competition from overseas funds. As a result the UTA is changing its constitution and renaming itself the Association of Unit Trusts and Investment Funds.

Tregoning is not the only new face at the top of the UTA. Victoria Philip (left), 31, Fidelity's corporate affairs manager, is replacing Gavin Grant as head of public affairs. Grant is going to do the same job at Body Shop International. She is the latest in a number of new arrivals which include Sheila Nicol, director legal and fiscal affairs, who came from the Stock Exchange, and Simon Smith, taxation adviser, who was hired from Arthur Andersen.

## Electronic switches



formerly central regional director of Amdahl (UK), is appointed to head the business solutions unit of Amdahl Northern Europe.

Hisao Shima has been appointed president of RACAL-REDAC (JAPAN); he moves from Analysis Systems. Paul Jennings has been promoted to director of software applications at MDIS. James Norling, formerly executive director, Motorola Europe, has been appointed president of MOTOROLA Europe, Middle East and Africa on the retirement of David Barkman. Mike Housman, formerly md of Cognos in the UK, has been appointed md of RADIUS Computer Services.

DATA SCIENCES, the hard-pressed computer company, has appointed Andy

Roberts, a director from rival ICL, as its new chief executive.

Roberts, 40, formerly managing director of ICL Mid-Range Systems with direct responsibility for North American sales, has the challenging job of keeping Data Sciences afloat and clear of takeovers.

In the 1980s seven of the top ten suppliers to the UK computer market were UK-owned, led by Thorn EMI Software and Hoskyns. Today, only three remain: BT Customer Systems, Logica and Data Sciences. According to industry analysts, Logica and Data Sciences are both vulnerable to takeover.

Needless to say, Roberts is confident his new company has a bright future. "It is well positioned to exploit emerging markets in client/server and open systems environments."

## Francis Maude switches American banks

Less than a year after joining Salomon Brothers, Francis Maude, financial secretary to the Treasury until he lost his seat at the last general election, is on the move again - this time to rival US investment bank Morgan Stanley. The job description (head of privatisation) remains the same, but at Morgan Stanley International, Maude will get a seat on the board as a managing director (he was only a director at Salomon) and an opening internationally in the privatisation business.

"There is nothing particularly sinister" in the early

switch, Maude says, pointing out that his new employer is "set up to do large-scale privatisation business". He tactfully declines to comment on his experiences at Salomon, where his name has not been closely associated with any large new transactions.

Still only 39, Maude has now had three careers - as a barrister, junior minister and now banker - but says: "There is time for plenty more." Though he has indicated that he will not fight to regain his old seat as an MP, he adds that his political ambitions are "not dead by any means". The move to Morgan Stanley was seen by



former colleagues at Salomon as a way for Maude to make his mark quickly (and presumably very profitably) before jumping back into politics at the next UK election. (See Observer)

Responsibility for the UK's customs arrangements in the single European market passed yesterday to Martin Brown, the newest Commissioner of Customs and Excise. Brown, in succession to Sandy Russell who was recently promoted to deputy chairman.

Brown, 44, is a modern Brigadier who joined Customs from Oxford in 1971. Previous jobs included heading the anti-smuggling division and customs at Manchester Airport. He was, until his promotion, responsible for excise duties on tobacco, oil and gambling.

Outside Customs, Brown spent two years on secondment as an adviser to the government of Barbados. He also had a spell in the Treasury, as private secretary to Robert Sheldon, the last Labour Financial Secretary.

As Director Customs, Brown will head the policy division in charge of UK trade interests, control of imported freight, warehousing, free zones and control of strategic exports. In liaising with the European Commission, he will also be responsible for EC customs, duty-free shops and travellers' allowances.

هكزامن الترحيل



# MANAGEMENT: THE GROWING BUSINESS

## Venture capital update

**U**pbeals in the venture capital industry have made it even more difficult for entrepreneurs to find a suitable backer. Established venture capitalists have withdrawn while others have refocused their activities.

The present state of the industry means it is essential for the entrepreneur to have up-to-date information. Fortunately, help is available in the shape of new editions of two established venture capital directories.

The Venture Capital Report Guide to Venture Capital in the UK & Europe, now in its sixth edition, provides the most thorough review of the UK industry. It lists more than 100 UK venture funds as well as 70 in continental Europe. A valuable feature of this guide is the lists of the investments that have been made by each venture fund, including those that have been written off. This allows businesspeople seeking money to judge the investments that venture capitalists actually make as opposed to those that they claim to support, says Lucius Cary, editor.

Who's Who in Risk Capital 1993 concentrates on individual venture capitalists, providing thumbnail sketches, including in many cases photographs. Users value a picture when speaking to someone on the telephone for the first time or when attending conferences, says publisher Antonia Millett.

To date, Who's Who has appeared annually, giving it a slight edge over the Venture Capital Report which is updated every two years. It is also more comprehensive in its continental European coverage but cannot match its rival on its wealth of detail on the UK industry.

**CB**  
Venture Capital Report Guide, Venture Capital Report, Boston Road, Henley on Thames, RG9 1DY. Tel: 0491 579999. 1,181 pages. £106 inc p&p. Who's Who in Risk Capital, Initiative Europe, 69 Bondway, London SW8 1SQ. Tel: 071 755 9833. Two volumes. UK and continental Europe. £44 p&p. £195 plus £4 p&p (in UK).

**L**loyd Instruments, a manufacturer of materials testing equipment, expects to have its latest product on the market by June, just seven months after starting work.

This represents a halving of the time taken to bring its previous testing machine to market, according to Roger Muttitt, chief mechanical design engineer, and "a major step forward" for a company with sales of £5m and a workforce of 75. Lloyd Instruments has achieved this rapid reduction in the time taken to bring new products to market by getting departments such as marketing and production to co-operate more closely. It has installed a network of computers at its Fareham factory so that the engineering, design and production departments have instant access to the latest drawings and is farming out more design work to suppliers.

The most given to techniques such as these are parallel processing and concurrent or simultaneous engineering though this is a somewhat misleading term since a fully-fledged system involves marketing and purchasing as well as purely engineering issues.

The advantages to companies of these techniques are manifold: customer needs can be taken into account in the choice of product; design can use the most cost-effective manufacturing methods; and time-to-market can be reduced, increasing sales and profits.

The opportunity for new products to succeed is under increasing pressure, says David Inwood, joint founder of Inwood Ryan, a product development consultancy. "Customer requirements, tougher legislation and competitive pressures mean that products developed by traditional design- or engineering-led methods run too much of a risk of missing their target."

Using traditional techniques, the marketing department, if it was effective, would identify a market opportunity; the design department would put together a suitable product; and manufacturing would then produce it. This "over-the-wall" approach - one department would pass its work on to the next with the minimum of consultation - made for higher costs and delays.

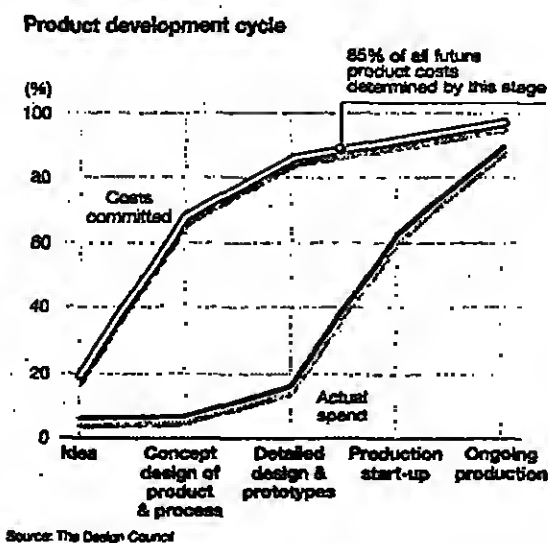
The success of, in particular, the Japanese in reducing the time taken to bring new products to market has led to an increased interest in techniques such as concurrent engineering but there is still a long way to go.

UK manufacturing companies of all sizes have made relatively little use of concurrent engineering methods while among small and medium-sized companies fewer than one in five have adopted the technique, according to a survey of 700 companies by Engineering magazine.

Companies are under pressure to improve their product evolution, writes Charles Batchelor

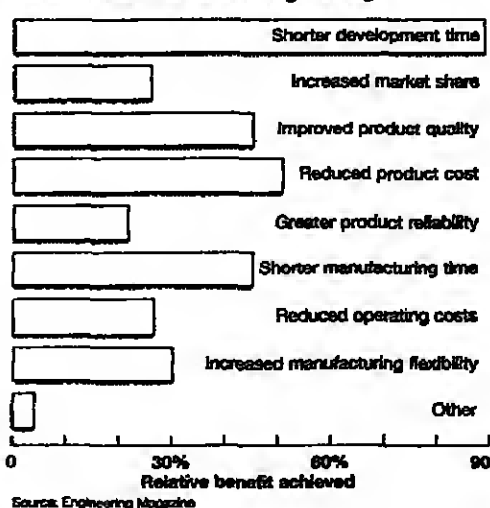
## A target too often missed

Getting new products to market



Source: The Design Council

Benefits from concurrent engineering



Source: Engineering magazine

"The survey contradicts the popular view that smaller firms are inherently more flexible and innovative in their approach to design and new product development," Engineering noted.

The results of this failure to plan new product introductions properly are that projects overrun their development time by 27 per cent on average and their design costs by 19 per cent, the survey showed.

These weaknesses force many companies to adopt defensive strategies. "The added value to the customer from new products introduced in the UK is too low," comments John Benson, assistant director of industry at the Design Council. "Small and medium-sized companies have low profitability and low investment in research and development. Very few are market leaders. They are 'me too' companies which hang on to market share by trimming production costs and shaving margins."

The starting point for new product development should be the sales and marketing department responding to customer needs. Too often companies fail to ask their customers

what they want and design new products which do not meet their customers' needs, says Inwood.

Tensator, which makes "pedestrian guidance systems" consisting of posts and retractable tapes commonly used to form queues in post offices and banks, took the decision to move from being an engineering-led company to one with a sales-led strategy. "We have a deliberate policy of talking to customers and our six largest ones, including the Post Office and Marks & Spencer, have all had products specifically designed for them," says David Tupp, sales and marketing manager.

This represents a cost-effective way of developing new products, many of which can then be sold to other customers, and the Tensator now accounts for a third of the company's £7m sales.

Tensator, which is based in Milton Keynes, has also developed a more coherent approach to market research, installing a computerised database to log customer information and economic data. "These are basic marketing tools which weren't available in an engineering-led com-

pany," says Tupp.

But while market research is a frequently overlooked part of new product design, the crucial element in fast product development is team-working, according to the advocates of concurrent engineering. The precise make-up of the team or teams will vary depending on the project and on the company, but David Inwood includes marketing, manufacturing and technology specialists. John Benson says purchasing expertise is also important given the role which suppliers can play in designing components and sub-assemblies.

Muttitt says that Lloyd Instruments is too small a company to support cross-functional teams - the same people would be in every team. But it does hold regular product development meetings led by the engineering department and involving the managing director, senior design staff and representatives of sales and production.

"We brief them on the progress of the project and discuss any action which needs to be taken by other departments," explains Muttitt. "Production can start work on the

tooling while marketing can get the brochures produced."

Unlike Tensator, Lloyd Instruments does not invite its suppliers to take part in these meetings but it does delegate responsibility for sub-assemblies to fields such as bearings, electronics and cables.

A third company, Watkiss Automation, which makes paper handling systems used to collate brochures and multi-set invoices, also depends on its suppliers for help in specialist areas but has in other respects chosen a different route to reducing development times.

Watkiss, which has turnover of £4m and a workforce of nearly 60, has brought some jobs in-house because it believes it can get work done more quickly. The company produces its own tooling for making plastic mouldings because of the delays involved in using outside companies and it also brought its software and printed circuit design work in-house. Initial market research can also be carried out internally because Watkiss has printing activities so knows from its own experience what it wants from a paper handling system.

Just over a year ago the Sandy, Bedfordshire-based company launched a modular paper handling system which allowed customers to assemble a system that met their precise needs. Designing the new equipment took two and a half years and cost more than £500,000 but it has led to a new doubling of Watkiss's turnover and taken 40 per cent of its market sector. The length of the development period reflected the large amount of innovation involved, says Jo Watkiss, public relations manager.

Despite winning awards for its designs, Watkiss makes less use of the product design vocabulary familiar to companies such as Tensator and Lloyd Instruments. Product design is handled by its eight-strong research and development team composed of designers and engineers.

This may reflect the fact that Watkiss is a family-owned company - six family members are at present employed, while Tensator and Lloyd Instruments are subsidiaries of larger, international groups. But whatever technique is used, companies cannot avoid the growing pressure to improve their approach to product design.

**Inwood Ryan, The Grange, Market Street, Stevenage, Cambridge, CB4 5SQ. Tel: 0954 32555.**

**The Design Council is preparing a series of new product development seminars scheduled to begin in September. A booklet, New Product Development, containing 12 company case histories, is available. £10. Design Council, 28 Haymarket, London SW1Y 4SU. Tel: 071 839 8000.**

## Happy with the boss

**W**orking in a small business is often thought to involve poor working conditions and putting up with an autocratic boss. But a survey of small firms in the services sector and their employees paints a more favourable picture.

Ninety four per cent of employees said they got on well with their boss while three quarters of owner-managers said they had arrangements for consulting their staff. Most employees said supervision was not close, the researchers from Kingston Business School found.

The survey covered 31 businesses and 175 employees in four business sectors: advertising, marketing and design; computer services; employment and secretarial agencies; and pubs, wine bars and restaurants.

Six out of 10 employees said they received full pay when off sick while more than one in five and a company car. But pension schemes and paid holiday arrangements were less generous than the national average.

Forty per cent of employees said they would resist recognising a union but nearly a third said they would not object if their employees wanted union representation. However, only a quarter of employees would join a union if the opportunity arose.

One third of employees were part time and more than half were women. While most employees had no preference for either men or women, those who did expressed a preference for women, who were regarded as more hard-working and reliable.

Nearly half of employees reported problems in finding suitable staff regardless of local unemployment levels. Few made use of agencies or job centres, preferring direct approaches and personal recommendation by existing employees.

**CB**  
\*Employment and Employment Relations in the Small Service Sector Enterprise, by James Curran and others, Kingston Business School, Kingston Hill, Surrey KT2 7LB. Tel: 081 547 7347. 211 pages, £40.

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## BUSINESSES FOR SALE

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For sale, the business and assets associated with the fancy yarn spinning facility of the Company, situated 90 miles from Dublin at Thurles, Co. Tipperary, Ireland.

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The buildings are freehold and comprise c. 28,500 sq. ft. of factory and warehouse.

The Company has large stocks of raw materials and finished goods. A skilled labour force is available.

ENQUIRIES TO: Bernard Uniacke, F.C.A., Deloitte & Touche, Chartered Accountants, 4 Lapps Quay, Cork, Ireland.

Telephone: 010-353-21 277755. Fax: 010-353-21 277021.

or Barry Caldwell, A.C.A., Tipperary Textiles Limited (In Liquidation), Thurles, Co. Tipperary. Telephone: 010-353-504 22355. Fax: 010-353-504 22074.

Deloitte &amp; Touche



Chartered Accountants

Latham Crossley &amp; Davis

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For further information please contact in the first instance the Joint Receivers or (Gus Ratcliffe) at:-

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The Electrical Supply Co (City) Limited	Electrical Wholesaler	2.0
FP Fire Protection Services Limited	Fire Protection Services	3.5
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John Lelliott (Structural Renovations) Limited	Concrete Repairs	3.0

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For further information, please contact Stephen Hook or Tudor Nicholas of Coopers & Lybrand, 20 St Andrew Street, London EC4A 3AY. Telephone: 071 212 6163. Fax: 071 212 6000.

Coopers & Lybrand is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

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(Both in Administrative Receivership)

The Joint Administrative Receivers offer for sale the businesses and assets of the above companies on a going concern basis.

The companies operate as stockists and distributors of welding equipment and related products and both operate comprehensive service and maintenance departments. They are well established businesses and have a good reputation in the industry. The companies are located in Levenshulme, Manchester and Wakefield, Yorkshire.

- Current turnover approximately £2 million per annum, strong customer base.
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For further information please contact:  
James Gleave or Gary Houghton,  
Arthur Andersen, Bank House,  
9 Charlotte Street, Manchester M1 4EU.  
Tel: 061-200 0297. Fax: 061-200 0343.

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BUSINESS  
OPPORTUNITY

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## FOR SALE

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For further information please contact  
Mr. B. Mayer Zanotelli M&A, CH-Lucerne/Gasle  
Tel: +41 41 95 42 80 Fax: +41 41 95 42 84

Redwood  
Press Ltd

The Joint Administrators offer for sale the business and assets of Redwood Press Limited. Key features include:

- Projected turnover of £13m
- Leading web printer with pre-press printing and binding facilities under one roof
- Harris M850B, Rotaman 40 and Roland Rekord 3B presses
- 65 employees
- Modern 72,000 sq ft premises situated in Melksham, Wiltshire.

For further information, please contact the Joint Administrators, CNI Clapp or A Lovell, Ernst & Young, One Brixton Road, Bristol BS1 2AA. Telephone: 0272 290 808. Facsimile: 0272 360162.

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For further details please contact: Box number A4939,  
Financial Times, One Southwark Bridge, London SE1 9HL

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- Modern fully equipped workshop and print room
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- "Blue chip" customer list
- Turnover in excess of £1.5m p.a.
- 25,000 sq. ft. leasehold premises

For further information please contact V.C. Wright or  
B.R.A. Callaghan, at Chaotrey Vellacott, Chartered  
Accountants, Russell Square House, 10/12 Russell Square,  
London, WC1B 5LF. Tel: 071 436 3666 Fax: 071 436  
8884

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## Lucrative Business for Sale

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1993

FT SURVEYS

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PETROBRAS informs that the deadline for submission of the Bids  
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COMPANY  
NOTICES

## RECAP ENTERPRISES INC.

US \$200,000,000 FLOATING RATE  
NOTES DUE 1997

For the period 19th April 1993  
to 19th July 1993 the Notes  
will carry an interest rate of  
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amount payable per US  
\$200,000 will be US \$206.77  
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Agent Bank  
Barclays Bank PLC  
Stock Exchange Services  
Department  
168 Fenchurch Street  
London EC3P 7HP

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ELEKTRISMOU

(Public Power Corporation)

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Floating Rate Notes due 1994

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Interest Period commencing on  
21st April, 1993, the Notes will bear  
interest at the rate of 50% per annum.  
The interest is payable on 21st October  
1993 against Coupon No. 22 will be  
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Fiscal Agent  
ROYAL BANK OF CANADA  
EUROPE LIMITED

## THE HONGKONG AND SHANGHAI

BANKING CORPORATION  
LIMITED  
PRIMARY CAPITAL UNDATED  
FLOATING RATE NOTES

Notice is hereby given to the holders of these  
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Accounts of the Bank and of its parent  
company, HSBC Holdings plc, for the year  
ended 31 December 1992, and available from  
the Group Public Affairs Department,  
101 Levee Street, London EC3R 6AE.  
20 April 1993

مكتبة النجف



## UK benefits discriminatory



The European Court of Justice has ruled that invalidity benefits which discriminate against women can only be justified under EC legislation if the form of the discrimination already exists under other benefit schemes and is necessary and objectively linked to the difference in retirement age.

The case concerned the right in the UK to severe disablement and invalidity care allowances. Both sets of allowances cannot be claimed by individuals over retirement age, which in the UK is 60 for women and 65 for men.

The case was brought by five women who were refused the allowances because they had reached the age of 60. The House of Lords asked for a preliminary ruling from the European Court on the issue of whether UK law was compatible with EC law.

The court ruled that the statutory schemes fell within the scope of the relevant EC legislation. The UK legislation was discriminatory and could only be justified under a provision in the EC legislation which allows member states to determine for themselves the pensionable age "for the purposes of granting old-age and retirement pensions and the possible consequences thereof for other benefits".

The court then relied on a recent decision involving the UK Equal Opportunities Commission. This was to determine that forms of discrimination provided for in benefit schemes other than old-age and pension schemes can be justified only if such discrimination is necessary to avoid disrupting the financial equilibrium of the social security system or to ensure consistency between retirement and other benefit schemes.

In a rare move for a preliminary ruling, the court held that as it was called on to provide worthwhile answers for the national court, it had the jurisdiction to give guidance as to whether the criteria justifying discrimination existed in fact. In this fact-finding guise the court strongly found against the UK schemes and the arguments put forward in their support by the UK government.

C-329/91: Secretary of State for

*Social Security v Thomas and others, ECJ 6CH, March 30 1993.*

German rules restricting mutual recognition valid. The European Court has upheld German rules which restrict the use in Germany of a master's degree obtained from a university outside Germany without authorisation from the local authorities.

The case was brought by a Mr Kraus, who obtained a masters degree from Edinburgh University and hoped to use it to continue his legal studies in Germany. The local authorities refused to accept his degree because it was not accompanied by the relevant form and DM 13, as required under German law. Mr Kraus argued the German law was incompatible with the free movement of workers and the right of establishment.

The court on a preliminary reference from a Stuttgart court held first that the subject matter was governed by EC law. However, at the time the case was brought there was no specific legislation dealing with postgraduate degrees.

Member states were therefore competent to deal with such matters in their own territories. However such action by member states was limited to restricting the exercise of the fundamental rights to free movement and establishment which were guaranteed by the Rome treaty.

C-19/92: Kraus v Land Baden-Wuerttemberg, ECJ FC, March 31 1993.

German licence rules on canal navigation valid

German rules which only allow carriers access to canals in Germany if they are in possession of an accredited navigation licence were upheld by the European Court. The court upheld a member state's right to employ this type of licence scheme, but emphasised that members were not entitled to modify such schemes in a manner which discriminated against carriers from other EC countries.

Joined Cases C-184/91 and C-221/91: Ouborg and van Meesem v Waser and Schiffahrtsgesellschaft Nordsee, ECJ 6CH, March 31 1993.

BRICK COURT CHAMBERS, BRUSSELS

The powers of the UK Serious Fraud Office to use information obtained under questioning when a suspect's "right to silence" has been removed have once again been strengthened.

In a recent judgment, the Court of Appeal removed any restrictions on the SFO using material obtained by company liquidators or administrators as evidence in a criminal trial.

This means that any information gathered by liquidators using their powers under section 236 of the Insolvency Act 1986 to compel interviewees to answer questions can be demanded by the SFO and used freely in subsequent criminal prosecutions.

The ruling was received by the SFO as a welcome clarification of the relatively new body of law affecting its powers. It undoubtedly amounts to a strengthening of these powers. As one appeal court judge said, it is likely to make SFO processes more efficient, render issues clearer to juries and speed up some over-long fraud trials.

However, the ruling has been seen by some defence solicitors as a further example of the creeping erosion of their clients' traditional protection against self-incrimination.

Concern has also been expressed - largely by liquidators - that the ruling could hinder both liquidators and administrators in carrying out their work quickly and efficiently in the interests of creditors.

The legal challenge was brought by lawyers acting for Mr Mohammed Naviede, the head of the Manchester-based Arrows Group, who currently faces fraud charges brought by the SFO. In his wake, further challenges were also mounted by two defendants facing charges over the Maxwell affair - Mr Kevin Maxwell and Mr Larry Trachtenberg.

The long-running action brought by Mr Naviede reached the High Court last November.

Mr Justice Vinelott ruled that while the SFO could demand that liquidators pass over transcripts of section 236 interviews, restrictions should be placed on the use of this material; in addition an undertaking should be given by the director of the SFO that he would not use the transcripts in ways inconsistent with those restrictions.

These restrictions were identical to those placed on the SFO in relation to information it obtains from its own "section 2" interviews when the right to silence is removed.

These curbs prevent the SFO using such information in direct evidence. Such material can only be used when a defendant, giving evidence at trial, makes a statement that is inconsistent with evidence given during a section 2 interview. Last month these restrictions

## Liquidating ambiguity

John Mason on the SFO's increased powers to use material obtained by liquidators against suspects in court



Kevin Maxwell, left, and Mohammed Naviede: lawyers brought challenges

were removed by the three appeal court judges, Lord Justice Dillon, Lord Justice Steyn and Lord Justice Rose. They gave the reasons for the judgment just before Easter.

The thrust of their argument was that the Criminal Justice Act 1987, which legislated for the creation of the SFO and its powers, was perfectly clear on the point.

It was plain that, under the wording of section 2 of the act, liquidators should be regarded as persons from whom the SFO was entitled to demand information. Lord Justice Dillon said, civil courts had neither the jurisdiction to impose restrictions on the SFO's use of this information nor the power to exact undertakings from the director of the SFO, he added.

The implications of removing the High Court's restrictions prompted different responses from liquidators. Their central concern was whether or not the effective removal of all confidentiality from interviews would damage their ability to collect information from company directors who might fear prosecution.

Ernst and Young, the liquidators of Arrows, saw no reason why the efficient conduct of liquidations should be adversely affected.

However, administrators acting for various Maxwell companies took a different position, arguing that the public interest in ensuring that liquidations are efficiently carried out is outweighed by the SFO's use of this information.

The restrictions imposed by Mr Justice Vinelott in the High Court had struck a reasonable balance between the public interest in prosecuting fraud and the public interest in the speedy and efficient conduct of liquidations, they argued.

### Liquidators should not offer confidentiality to persons they are about to question

However, administrators acting for various Maxwell companies took a different position, arguing that the public interest in ensuring that liquidations are efficiently carried out is outweighed by the SFO's use of this information.

The restrictions imposed by Mr Justice Vinelott in the High Court had struck a reasonable balance between the public interest in prosecuting fraud and the public interest in the speedy and efficient conduct of liquidations, they argued.

The restrictions would mean that the readiness of people questioned by liquidators to talk openly would not be impaired.

Lord Justice Dillon said: "The reasoning is that persons examined under section 236 are more likely to be co-operative and to give full and truthful answers to office-holders if they believe that their answers will be treated as confidential and will thus not be used against them in any prosecution."

Consequently it appears that some office-holders make a practice of giving assurances of confidentiality to persons who are being examined under section 236."

However, in rejecting the public interest argument, he pointed out that under the Insolvency Act, statements made during a section 236 interview can be admissible evidence in criminal as well as civil proceedings.

Liquidators should plainly not offer assurances of confidentiality to persons they are about to question when these would be inconsistent with other statutory obligations such as those owed to the SFO under section 2 of the Criminal Justice Act, he said.

Any assurance given by a liquidator to a director of a company which would prevent the liquidator from fulfilling another statutory obligation would be invalid.

When the scope of current legislation became more widely appreciated, the practical difficulties faced by liquidators would be reduced, he said.

Afterwards, Mr Mark Homan of Price Waterhouse, president of the Society of Insolvency Practitioners, said the ruling could make directors marginally less willing to answer questions during section 236 interviews.

However, in other cases, the clarification of the law could encourage people to disclose more information voluntarily, rather than less.

Mr Neil Cooper, head of corporate recovery at Robson Rhodes, said that the ruling might affect the amount of information passed to liquidators, but agreed it could have long term benefits.

Although company directors could go to great lengths to avoid giving information, liquidators had to be very circumspect about "cozy deals" not to pass information on to the SFO, he said.

"We have always regarded the need to be able to communicate information to the relevant authorities as one of the prices we have to pay," he agreed liquidators could benefit from the Court of Appeal clarification.

"Liquidators don't want to be put in the middle between company directors and the SFO in proceedings which may not advance the case of creditors at all," he said.

## Legal Briefs



### Swiss senior law partners are best paid in Europe

SENIOR partners in Swiss law firms are the best paid commercial lawyers in Europe, earning an average of \$490,000, according to a survey by the International Financial Law Review. Partners in German firms are the next best paid, earning on average \$465,000, followed by senior partners in UK firms earning an average of \$440,000. Ignoring averages and looking for the highest paid lawyers overall, the IFLR says partners in German commercial law firms come top. Senior partners in Frankfurt firms are reported to earn about \$540,000 a year, it says, with the highest paid partners earning as much as \$1.2m.

The highest paid partners in top City firms are said to earn up to \$825,000. Over the past few years partners have seen their profits stagnate and salary rises for associate solicitors have been minimal, one managing partner of a City firm told IFLR. Bringing up the rear are Portugal and Greece where partners earn on average \$165,000 and \$125,000 respectively.

### Bar exams inquiry

THE UK Commission for Racial Equality has confirmed that it is to conduct a formal investigation into the Council for Legal Education, which runs the finals course for the Bar. The inquiry follows complaints about the high failure rate of ethnic minority students. Preliminary inquiries have produced sufficient grounds for belief that discrimination may have occurred in the Council's examination system (the Bar exams), the CRE says. The start of the formal investigation will be delayed until September, however, to allow an interim report by the Council's own inquiry team to be published in August.

## BUSINESSES FOR SALE

### GREEK EXPORTS S.A.

#### ANNOUNCEMENT OF A PUBLIC AUCTION FOR THE HIGHEST BID

GREEK EXPORTS S.A., established in Athens (17 Panepistimiou Street) and legally represented, in its capacity as Liquidator of the company HELLENIC MEAT INDUSTRY (ELVIK) S.A., and in accordance with article 46a of Law 1892/90, as supplemented by article 14 of Law 2009/91, and decision No. 537/1992 of the Larissa Court of Appeal, and subsequent to the written declaration (incoming ref. no. 354/8.4.1993) of the creditor of para. 1 of the above article (Agricultural Bank of Greece)

#### ANNOUNCEMENT

A repeat public auction for the highest bid with sealed binding offers for the purchase, in toto, of the assets of the HELLENIC MEAT INDUSTRY (ELVIK) S.A. which is under the status of special liquidation and based at Megala Kalyvia in the Department of Trikala, a few kilometres outside the town of Trikala, and will hereinafter be referred to as "the Company".

#### ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY

The Company is a fully vertical unit for the production of pork meat sausages and is active in the production of animal feed, pork meat, meat by-products, sausages, slaughtering and meat trading and slaughtering services for third parties. It includes a pork breeding unit, an industrial meat unit, an industrial sausage-making unit and a waste treatment unit installed on a self-owned site of 819,000 m<sup>2</sup>. The Pork Breeding unit has a present-day potential of 700 breeding sows. It has fully automated feeding, humidity, heating and ventilation. It is connected to the central complex for waste treatment. The industrial meat unit (slaughter-house) has waiting pens for animals before the slaughter, three slaughtering lines (pigs, bovines, sheep and goats), a separate sanitary slaughter-house and is automatically connected to the factory of by-product processing. The sausage-making unit has a daily potential of 8 tons. It has boiling ovens, maturation chambers, standardization sections, refrigeration chambers, storage rooms for the ready products. It produces boiled sausages and maturation products (salamis etc.). The Company's industrial slaughter-house is the only one in Thessaly with modern facilities and a veterinary department. The company distributes the largest part of its sausages in this area.

#### TERMS OF THE AUCTION

- In order for the auction to take place, all interested parties are invited to receive from the liquidator, the Offering Memorandum as well as the form of the Letter of Guarantee needed for the submission of a binding offer to be Trikala, notary public assigned to sign, Mrs Emmanouil Katsopoulos, 23 Kolokotroni Street, Trikala, Tel. 30-431-36.613 up to Wednesday, 19th May 1993 at 19.00 hours. Bids must be submitted in person or by a legally appointed representative.
- The bids will be opened before the above notary on the Thursday, 20th May 1993 at 10.00 hours with the Liquidator in attendance. All those who have submitted bids within the prescribed time limits can also attend. Bids submitted beyond the prescribed time limit will not be accepted or considered.
- The sealed, binding offers must clearly state the price offered for the purchase, in toto, of the Company's assets and must be accompanied by a Letter of Guarantee from a bank legally operating in Greece, for the amount of eighty million drachmas (80,000,000 drs), or its equivalent in U.S. dollars.
- The Company's assets and all fixed and circulating constituent parts thereof, such as immovable and movable property, claims, trademarks, titles, rights, etc., are to be sold and transferred "as is, where is", and, more specifically, in their actual and legal condition and location on the date on which the sale contract is signed, regardless of whether the Company is operating or not.
- The Liquidator, the Company and the creditor representing 51% of the total claims against the Company (Law 1892/90 article 46a para. 1 as in force), known hereinafter as the Majority Creditors, shall bear no liability for any legal or actual defects or for any deficiency in the effects and rights for sale nor for the possible refusal of the State to approve, as required the transfer of elements of the assets, nor for their incomplete or faulty description in the Offering Memorandum and in any correspondence, in the event of inconsistencies, entries in the Company's books, as they stand on the date of signature of the sale contract, shall prevail.
- Prospective buyers, hereinafter referred to as "Buyers", shall be obliged, on their own responsibility and due care, and by their own means and at their own expense, to inspect the object of the sale and form their own judgement and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale. The Buyers are hereby reminded that, in accordance with the provisions of Law 1892/90, article 46a, para. 4 as in force, having agreed in writing to maintain confidentiality, they are entitled to have access to any information they may require concerning the Company for sale.
- Bids should not contain terms which might prevaricate their bindingness or any vagueness concerning the offered price and its method of payment, or any other matter of importance to the sale. The Liquidator and the Majority Creditors have the right, at their incontestable discretion, to reject offers which contain terms and conditions, irrespective of whether these offers contain a higher price than that of other bidders. Such unacceptable terms would be, for example, requests for the repair, improvement or transfer of fixed assets, or requests for guarantees in the collection of claims or the outcome of court actions brought by the Company in this respect, or compliance with recommendations regarding the security of the installations, or safeguarding the insurance cover, etc.
- In the event that the person to whom the offer obligations accruing from the present announcement, then the above-mentioned guarantee of eighty million drachmas (80,000,000 drs.) is forfeited to the Liquidator in compensation for expenses of any kind, time spent, any actual or hypothetical loss sustained with no obligation on the Liquidator's part to furnish any specific proof or deem that the amount has been forfeited to him as a penalty clause and collect it from the guarantor bank.
- The highest bidder is deemed the one whose offer has been judged by the Liquidator and approved by the Majority Creditors and the highest bidder's guarantee shall be returned to him after he has paid the sale price and the act of settlement has been drawn up and signed.
- The Liquidator shall not be liable to participants in the auction either with respect to the evaluation report or for his selection of the highest bidder and neither will be liable to them for the cancellation of the auction in the event that its outcome is not approved by the Majority Creditors.
- Participants in the auction do not acquire any right, claim or demand from the present announcement or from their participation in the auction, against the Liquidator, for any cause or reason.
- Transfer expenses of the assets for sale (taxes, stamp duty, notarial and mortgage fees, rights and other expenses for drawing up topographical diagrams as required by law 651/77, etc.) are to be borne by the Buyer.
- Those taking part in the auction will be committed to keep the enterprise operating in its present form.

For any information, interested parties can apply to:

a) The head office of E.T.B.A. S.A., Directorate of Public Holdings, 87 Simgrou Avenue (2nd Floor), Tel. 30 1 92 94 395 and 30 1 92 94 396 and to

b) GREEK EXPORTS S.A., 17 Panepistimiou Street (1st floor), Tel. 30 1 32 43 111 to 30 1 32 43 115

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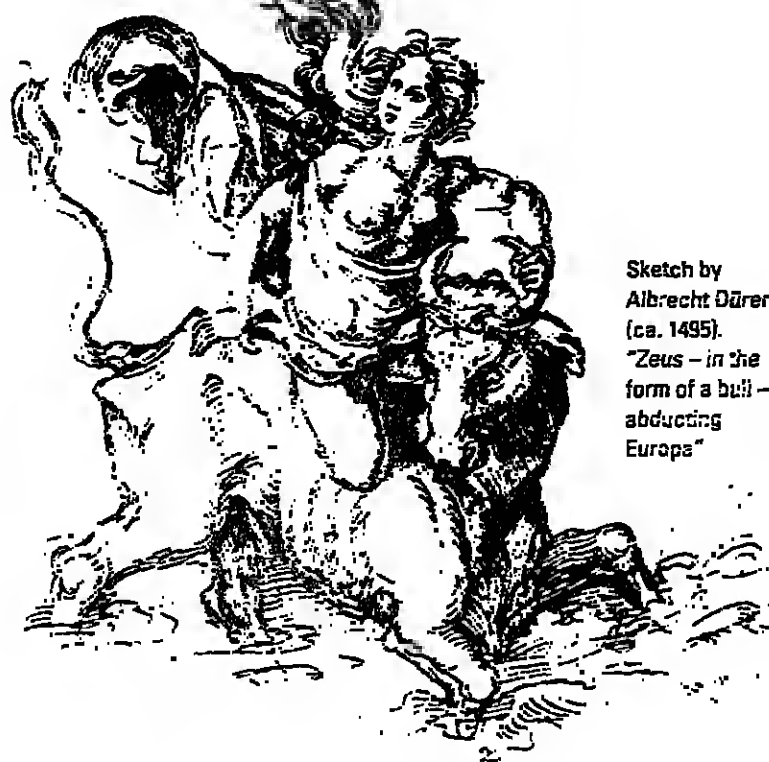
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# THE CHALLENGE OF EUROPE



Sketch by  
Albrecht Dürer  
(ca. 1495).  
"Zeus - in the  
form of a bull -  
abducting  
Europa"

## 1992: SATISFACTORY RESULT IN A DIFFICULT ENVIRONMENT

Electricity and Trading/Transportation/Services continued to increase their profit contribution. Oil was clearly down on the good result of the previous year. Chemicals closed the year with a large loss. At DM 1,214 million, the overall operating result was 6.7% below that of the previous year. Earnings per share amounted to DM 26.20 against DM 29.00 in the preceding year.

## GOOD PROSPECTS THROUGH RECOVERY IN THE EAST AND EUROPEANIZATION OF THE MARKETS

All of the Group divisions are well prepared for the challenge of Europe.

The Group's prospects will be substantially determined by the economic recovery in the new states, the Europeanization and internationalization of the markets and the opening of Eastern Europe. This includes stronger competition between the different locations. We realize the extraordinary opportunities but are also aware of the risks arising from the political and economic environment.

## CONCENTRATION ON CORE ACTIVITIES: THE CHALLENGE OF EUROPE

Expansion and growth of the Group will take place in the existing fields. One focus of our strategy is the Europeanization in areas that today are still largely national in scope. Here, the European competition will be the yardstick for a critical examination of our activities. In the existing fields, we see numerous opportunities in Eastern and Western Europe.

An entry into new business areas can be considered only if, in addition to high return expectations and favorable long-term prospects, there is the possibility of transferring experiences and knowledge from existing activities to new ones. One example of this is our entry into the mobile telephone market (E Plus).

## ALL DIVISIONS FACING GREAT TASKS

In addition to expanding our electricity sales area into the new states, the emphasis is on European cooperative arrangements. Together with European partners, we will participate in the reorganization of the Eastern European electricity industry.

A promising start has been made with the interest acquired in the Swedish utility SYDKRAFT. The first joint project is an electricity link between Southern Sweden and Schleswig-Holstein (BALTIC CABLE Project). The flagging economy has affected our Chemicals and Oil Divisions, in particular. In the Chemicals Division, the measures being taken focus on improving the cost situation and concentrating on fields with high returns. Considerable capital spending in Europe and

the U.S. will serve to secure our position as a leading worldwide supplier of specialty and performance chemicals, silicon and specialty polymers.

The Group's Oil Division is pursuing the long-term objective of further increasing the level of supply of our refineries with our own oil. To this end, significant projects are being pursued in the North Sea and the C.I.S. In petroleum distribution, we are continuing to expand our service station network in the new states and in neighboring countries of Eastern Europe.

The Group's trading companies are selectively expanding their European business and aiming for leading positions in their most important activities. This includes the Eastern European markets. In the Transportation Division, we will gradually implement a European integrated logistics system that will include our various transportation systems.

## VEBA SHAREHOLDING

With 486,000 stockholders, VEBA is one of the largest publicly owned companies in Europe. Foreign investors currently hold 34% of VEBA's capital stock. Most of them live in other European countries, where VEBA has some 20,000 stockholders.

Copies of the 1992 Annual Report may be obtained from VEBA AG, Public Relations, Bennigsenplatz 1, 4000 Düsseldorf 30, Germany, Tel ++49-211-45 79-3 67, Fax ++49-211-45 79-5 32

Group Key Figures	1992	1991	Change
Sales .....	DM million 65,419	59,505	+ 9.9%
Operating Result .....	DM million 1,214	1,301	- 6.7%
Earnings per Share .....	DM 26.20	29.00	- 9.7%
Cash Flow Ext. Group .....	DM million 7,946	7,476	+ 6.3%
Capital Spending Ext. Group .....	DM million 7,336	7,418	- 1.1%
Personnel (as of Dec. 31) .....	129,802	116,979	+ 11.0%

# VEBA



# In the right place at the right time

William Packer reviews Georgia O'Keefe, long-standing doyenne of American art

Reputation was ever an insecure quality, and never more so than in our own time. Yet we grow oddly reluctant, not so much to question as actually to prick the bubble. Or is it perhaps that in this age of free-standing, self-sustaining fame, the bubble has become more resilient, impervious, more a sort of rubber ball? In the world of art, certainly, there are reputations that once established, just go bouncing on and on, the vested interests of commerce, tourism or national pride, as the case may be, simply too interested to miss a beat.

As for the lucky artist, the trick is often simply to be in the right place at the right time and, if the luck is really in, then to let the reputation float quite free of the work as such. Georgia O'Keefe had all the luck she could have wanted, let alone needed. She was a woman of strikingly severe beauty, married to a remarkable photographer, Alfred Stieglitz, who had encouraged her in her early career and largely created and sustained her personal image. Her country needed her, in the sense that in her prime, between the wars, there were few other artists indigenous to America that could be promoted convincingly in terms of international modernism, and none at all so particularly and romantically American in her subject-matter - the wide, open spaces of the south-western desert states of America, the old frontier. She lived to an immense old age, dying at 99 in 1986, the long-standing doyenne of American art, loaded with honours and quite beyond criticism. Now there is the Georgia O'Keefe Foundation, at Abiquiu in New Mexico, to keep her reputation for posterity.

It is only when we come to the work itself, the foundation upon which this impressive edifice of reputation is set, that the questions and the doubts come flooding in - or do they? The wonderful irony of this present exhibition is that so judiciously critical an opportunity should be presented to us as the vindication and celebration of a great artist's career and achievement, and sent on a world-wide tour. I am all for the proper critical study of any substantial reputation, that must take its chance for good or ill. And the Hayward Gallery, at my mid-week visit just after Easter, was filled by a studious and, more to the point, respectful crowd, predominantly young and - should I even notice, let alone say such a thing? - female.

Clearly the work strikes a plangent chord in many breasts, and it is easy to see why. Whatever its other qualities, a characteristic of O'Keefe has a graphic simplicity that reproduces well. Posters and cards have made her imagery familiar to a general audience far beyond the particular interest of modern art, and the explicitly sexual and ecstatic connotations of her flower-heads, seen in exploratory close-up, of bare, rolling hills and eroded valleys, swirling clouds and symbolic abstractions, are obvious enough. The metaphor of woman celebrating and idealising her own

sexuality is irresistible to the feminist, which constituency today is enormous.

And it is quite as hard for the more disinterested viewer to resist the conclusion that the general response to the work of Georgia O'Keefe hangs entirely on the nature of its imagery. For when we come to examine these paintings as paintings, they reveal themselves as poor, thin stuff indeed. The first surprise is how little of it there is, to stand for so long a life, but the greater surprise is the lack of any true development within it. Changes in immediate preoccupation there may have been, now flowers, now skies, now the embarrassingly inept surrealist pastiches of the 1950s, but technically they remain the same.

Small or large, always they are out of scale, the paint on the surface inadequate or inappropriate to the purpose, the drawing flaccid, the mark light, uncertain, unfunctor. And there is no real sense of the artist looking hard at the real world, whether to allow painterly invention to feed intuitively upon the subject before it, or to develop later into informed abstraction. Rather it is that the image is all - which is another way of saying that the painter is no painter at all. For the true painter is always quite as much engrossed in the stuff of the painting he is making, as the pigment comes of the brush onto the canvas, as he is in the external reference or stimulus.

With Georgia O'Keefe there is the initial look, but no scrutiny, and the paint a mere question of filling in between the lines. Her barn in the snow might as well have been painted by an artist who had never seen snow, but only told that it was white. Her tree-trunks, writhing together, are paper-thin, volumeless, cut and clean as scenery at their edges and overlays. Her skyscraper is but a matter of poorly-drawn white blocks on a dark ground. Her little wooden virgin, so charming a votive figure at first sight, stands unresolved in all its proper form and significant detail. I suspect she used photographic reference far more than has been admitted, for the photograph, notoriously deceptive, always withholds more information than ever it offers as image.

Clearly she believed in her own myth, which remains evidently potent after her death. The hard truth is that she was a weak draughtsman and at best an indifferent painter. Was it her sense of her own technical inadequacies that moved her to break with the art schools, where she had studied and taught, and go west into the desert? "Where I was born and where and how I have lived is (sic) unimportant. It is what I have done with where I have been that should be of interest." Indeed it should be.

Georgia O'Keefe: American and Modern; the Hayward Gallery, South Bank SE1 until June 27, then on to Mexico City and Yokohama. Sponsored by American Airlines



'Horse Skull on Blue', 1930 by Georgia O'Keefe at the Hayward

## Obituary

### Dame Elisabeth Frink, RA

Elisabeth Frink, who died at the weekend at the age of 62, after a long illness, was unique in her generation as a British woman sculptor of international standing. She was of that immediate post-war generation that was at once formed by and rejected the example of Henry Moore and Barbara Hepworth, committing itself rather to a more openly expressionist sculptural figuration, dynamic in its modelling and urgent in its effect. "The Geometry of Fear" as the conventional description of the time would have it. But Miss Frink was always her own distinctive self in her work, and her particular interest in animal subjects, which did so much to revive the old and honourable

animalier tradition within the context of modern sculpture, always set her apart. Her work for the rebuilt Coventry Cathedral, notably the eagle lectern, established her national reputation, and she remained thereafter prolific in the production of public sculpture, often within a religious context.

Horses and riders, warriors and the monumental male image became her favoured subjects, and as with Moore and his reclining women, it will be by the massive, totem heads, bullet-headed and blankly staring, that her work as an artist will most readily be called to mind.

W.P.

## Concert/Max Loppert

### Günter Wand and the BBCSO

Friday's BBC Symphony Orchestra

concert at the Festival Hall was a great occasion. The orchestra's recently-instituted policy of low-priced, unreserved tickets for its South Bank schedule had obviously contributed to it: every seat was occupied, and in a "democratic" way that lent to this normally neutral environment an touch of Proms elation.

But mainly, of course, it was the music-making that caused the air of festivity. Concert-going London, having at last realised that every one of Günter Wand's appearances with this orchestra is precious, is determined to make the most of them. In 25 years of regular Festival Hall attendance I can recall few events characterised by so rapt a feeling of audience absorption in the music itself. Wand, in his early 80s, seems to represent a tradition of symphonic interpretation that gains ever more meaning and value as its

true upholders diminish in number.

In Wand performances, every note tells. As Friday's gloriously clear, balanced and truthful BBC accounts of the Schubert Eighth and Bruckner Ninth symphonies showed once again, those famously painstaking Wand rehearsals they have as their purpose the sustenance of intelligent and intelligible re-creative musicianship.

The union of exact dynamics and tempo choice, graceful phrase-shaping, evocative colouring and forwardness of rhythm

made the Schubert a continuous revelation - not because there was anything in the least outlandish about it, but because Schubertian exuberance of this sort, alert to the sense and inner workings of the score, is always a wonderful surprise.

The BBC's Bruckner symphonies under Wand have become celebrated. He does not direct the players toward craggy heights or searing depths of expression, toward squeezing out the last degrees of blissful sweetness or awesome thunder. The hammer-blows of the Scherzo were

each placed for their proper weight and purpose - no more, but also no less. The phrasing of those angular melodic intervals at the start of the Adagio had not an ounce of egregious portentousness in it. Everything in the performance seemed directed toward a conclusion justly and honestly arrived at.

In verbal description this may sound a temperate goal, a somewhat bland achievement: in the Festival Hall last Friday it proved thrilling. This pairing of Schubert's and Bruckner's unfinished symphonies has often been made in concert programmes. Rarely has each work sounded, in the best sense, so finished.

BBC Symphony Orchestra at the Royal Festival Hall, London SE1, broadcast live on Radio 3



John Keegan, Orla Brady and Brendan Coyle

Tricycle Theatre, NW6 (071) 328 1000. Trilogy days Saturdays and Sundays until May 16

## INTERNATIONAL ARTS GUIDE

### AMSTERDAM

Concertgebouw Tonight, Thurs, Sun afternoon: Ken-Ichiro Kobayashi conducts Netherlands Philharmonic Orchestra in works by Beethoven, Brahms, Chausson and Saint-Saëns, with violin soloist Nikolai Madyanov. Thurs and Sat (Kleine Zaal): Borodin Quartet, Fri: Donald Runnicles conducts Rotterdam Philharmonic Orchestra in works by Beethoven, Sibelius, Pärt and Britten, with violinist Leonid Kavakos. Sat afternoon: Kirov Opera concert performance of Prince Igor. Sat evening: Philippe Entremont is conductor and piano soloist with Netherlands Chamber Orchestra. Sun: Ivo Pogorelich piano recital. Next Tues: Kirov Opera performance of Evgeny Onegin (6718 345). Muziektheater Tomorrow, Sat (runs till May 4): Graeme Jenkins conducts Tim Albery's Brecht/Festspiel production of Catalani's La Wally (6255 459).

### ANTWERP

Tonight at deSingel: Alain Franco

conducts Champ d'Action ensemble in works by Boulez, Dillon and Birtwistle, with mezzo soloist Elisabeth Laurence. Thurs at Stadsschouwburg: Frankfurt Ballet opens two-week residency (234 1188). Sun and next Tues at De Vleemse Opera: Stefan Soltesz conducts an orchestral concert, with soprano soloist Luana Del'ol (233 6685).

### BRUSSELS

Cirque Royal Rudra Béjart Lausanne season runs daily except Mon till April 28, with a series of new Béjart choreographies inspired by Charlie Chaplin. April 30 at Mornale: first night of new production of Anna Bolena (219 8341). Palais des Beaux Arts Thurs: Ronald Zollman conducts Belgian National Orchestra in works by Rakhmaninov and Dvorak, with piano soloist Mikhail Rudy. Fri: Alexander Rahbari conducts Belgian Radio Orchestra in works by Wagner and Mahler, with mezzo soloist Elisabeth Laurence. Mon: recital for two pianos by Robert Groszlot and Daniel Blumenthal. Next Tues: Julliard String Quartet (507 8200). Théâtre National Thurs: world premiere of Lady Will, a one-woman show about Shakespeare's women characters. Text by Dominique Sarron, starring Véronique Dumont. Daily except Sun and Mon till May 15 (217 0303).

### CHICAGO

Orchestra Hall Tonight: Mishiyo Inoue conducts Chicago Symphony Orchestra in a Mahler programme.

Thurs, Fri: Myung-whun Chung conducts symphonies by Haydn and Berlioz (435 6666).

### VIENNA

Staatsoper Tonight and Sun: Un ballo in maschera with Mara Zampieri, Peter Dvorsky and Leo Nucci. Tomorrow and next Tues: Andrea Chenier with Bruno Bescaria, Renato Bruson and Maria Guleghina. Thurs: Aida with Maria Dragici, Marijana Lipovsek and Lando Bartolini. Fri and next Mon: Arabella with Lucia Popp and Franz Grundheber. Sat: Le nozze di Figaro with Lucio Gallo and Bryn Terfel (51444 2955). Musikverein Tonight: James de Priest conducts Tonkünstler Orchestra in works by Berg and Bruckner, with violin soloist Christian Altenburger. Tomorrow, Thurs, Fri: Gary Bertini conducts Vienna Symphony Orchestra in works by Beethoven and Shostakovich. Sat and Sun: Michael Schönewand conducts Berlin Symphony Orchestra in works by Richard Strauss, Franck and Schoenberg, with piano soloist Cecilia Ousset. Mon: Neville Martin conductor in works by Shostakovich, Bruch and Elgar (505 8190). Konzerthaus Tomorrow: Bernhard Steiner conducts Vienna Chamber Orchestra in works by Haydn, Mozart, Schubert and Tchaikovsky. Thurs: English Guitar Quartet. Fri: Klangforum Wien plays works by Verese, Scelsi and others. Sun morning: Pinchas Steinberg conducts Austrian Radio Symphony Orchestra in Verdi extracts, with

Julie Varady and Renato Bruson. Sun evening: Yan Pascal Tortelier conducts BBC Philharmonic Orchestra in Maxwell Davies, Elgar and Tchaikovsky, with cellist Steven Isserlis (712 1211).

### THE HAGUE

Dr Anton Philips Tomorrow: members of Hague Philharmonic, with pianist Fred Oldenburg, play chamber music by Keur, Schmitt and others. Thurs and Fri: Janos First conducts Hague Philharmonic Orchestra in Brahms' First Piano Concerto (Peter Frank) and Schumann's Third Symphony. Sat: Ivo Pogorelich piano recital. Sun afternoon: Alexander Lascaz conducts Arion Ensemble in works by Borodin, Shostakovich and Tchaikovsky, with piano soloist Vladimir Mischuk. Next Mon: Philippe Entremont is conductor and piano soloist with Netherlands Chamber Orchestra (360 9810). Danstheater Thurs, Fri, Sat: Netherlands Dance Theater mixed bill, including new work by Hans van Manen (360 4930).

### UTRECHT

Vredenburg Fri: flamenco evening. Sun afternoon: Jansug Kakhidze conducts Radio Philharmonic Orchestra in works by Tchaikovsky and Shostakovich. Sun evening: Netherlands Wind Ensemble. Next Mon: Ken-Ichiro Kobayashi conducts Netherlands Philharmonic Orchestra in works by Ravel, Berlioz, Chausson and Saint-Saëns. Next Wed: Kirov Opera (314544). Stadsschouwburg Tomorrow:

Netherlands Dance Theater mixed bill, including new work by Hans van Manen (310241).

### ROTTERDAM

De Doelen Tonight: Moscow Quartet plays works by Mozart and Shostakovich. Tomorrow: Donald Runnicles conducts Rotterdam Philharmonic Orchestra in works by Beethoven, Sibelius, Pärt and Britten. Fri: Valery Gergiev conducts Kirov Opera Orchestra and Chorus in Rakhmaninov's Third Symphony and The Belles. Sun afternoon: Kirov Opera concert performance of Boris Godunov. Sun evening: Monty Sunshine's Jazzband. Next Tues: Slovak Philharmonic Orchestra (413 2490).

### ZURICH

Opernhaus Tomorrow and Sat: Massenet's Herodiade with Grace Bumbury and Cecilia Gasdia. Thurs and Sun: Ruth Berghaus' production of Elektra with Deborah Polaski. Fri: ballet mixed bill, choreographies by Nijinski, Bernd Bienert, Arthur Saint-Leon and Jorma Uotinen. Sun morning: Manfred Honeck conducts orchestral concert with soprano Gabriele Lechner (262 0609). Tonhalle Tonight, Tomorrow, Thurs, Fri: Mario Venzago conducts Tonhalle Orchestra in works by Mozart, Sibelius and Bruckner. Next Mon: Ronald Zollman conducts Belgian National Orchestra (261 1600).

### WASHINGTON

THEATRE ● Oleana: David Mamet's drama

about power, sexual harassment and political correctness. Opens tonight, till May 30 (Eisenhower Theater 202-467 4600). ● Our Country's Good: Timberlake Wertenbaker's play is set in an isolated Australian prison camp where jailers and inmates produce a play and create a civilisation. Opens tomorrow, runs till May 22 (Signature Theater 703-685 4331). ● Mother Courage: Pat Carroll takes the title role in Brecht's play, in a new translation by Harlf Kureishi. Till May 16 (Shakespeare Theater at the Lansburgh 202-393 2700). ● Lady Day at Emerson's Bar and Grill: a musical celebration of the life of jazz singer Billie Holiday, recreating the 1959 nightclub of the singer's final performance. Till May 16 (Head Theater 410-332 0033).

### MUSIC

Kennedy Center Tonight's National Symphony concert is a Beethoven programme conducted by Gerard Zimmermann, with piano soloist André Watts. Sun: King's Singers. The award-winning musical Guys and Dolls can be seen daily except Mon in the Opera House (202-467 4600). Blues Alley Jazz Supperclub Charlie Byrd Trio, guitar, daily till Sun. Next Wed: Count Basie Orchestra (1073 Wisconsin Ave. in the alley, 202-337 4141). Bams of Wolf Trap Tomorrow: Patrick Street, traditional Irish music. Thurs: Patty Larkin, new wave folk. Fri: Texan singer Robert Earl Keen joins Laurie Lewis' bluegrass band (1624 Trap Road, Vienna, Virginia, 703-255 1916).

### European Cable and Satellite Business TV

(All times are Central European Time) MONDAY TO THURSDAY Super Channel: European Business Today 0730; 2230 Monday Super Channel: West of Moscow 1230. Super Channel: Financial Times Reports 0630 Wednesday Super Channel: Financial Times Reports 2130 Thursday Sky News: Financial Times Reports 0330; 0130 Friday Super Channel: European Business Today 0730; 2230 Sky News: Financial Times Reports 0530 Saturday Super Channel: Financial Times Reports 0330 Sky News: West of Moscow 1130; 2230 Sunday Super Channel: West of Moscow 1830 Super Channel: Financial Times Reports 1900 Sky News: West of Moscow 0230; 0530 Sky News: Financial Times Reports 1330; 2030

### Arts Guide

Monday: Berlin, New York and Paris. Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington. Wednesday: France, Germany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.



The French financial authorities were yesterday being modest about their success in cutting interest rates while still keeping the franc firm, because they know it is only a modest success.

The Bank of France, unusually, made no comment when it cut the intervention rate at which it rationed loans to commercial banks from 9.10 to 8.75 per cent, the lowest level since 1989, and further reduced its five-to-10-day repurchase lending rate from 10 per cent to 9.75 per cent.

For his part, Prime Minister Edouard Balladur was hushier warning about forthcoming "unpopular" tax increases to stem the public spending deficit than crowing about the first fruits of his three-week old government's success on the monetary front.

The French authorities are playing it cool for two reasons. One is a question of style. The Balladur government is very keen to show foreign exchange dealers it is just reacting to recent falls in domestic money market rates by lowering official rates, and that it is in no way trying to force official rates down further or faster than the fundamentals of the French economy justify.

The other reason for caution relates to precisely these fundamentals. For the moment, the franc's link to the D-mark seems solid. The Bank of France has recovered the reserves it lost in defending the currency since last autumn, enough, according to Mr Edmond Alphandery, the finance minister, to be making an early repayment of the debt to the Bundesbank incurred in support of the French intervention.

Today, Mr Alphandery will present to Mr Balladur his draft statute to give the French central bank the same independence in monetary policy as the Bundesbank enjoys. Therefore, when the French premier visits Chancellor Helmut Kohl in Bonn on Thursday, he will be able to claim to the German leader that France is on the road to "institutionalising" its present policy of a strong currency and a low inflation rate, which, at around 2.3 per cent, is nearly half Germany's.

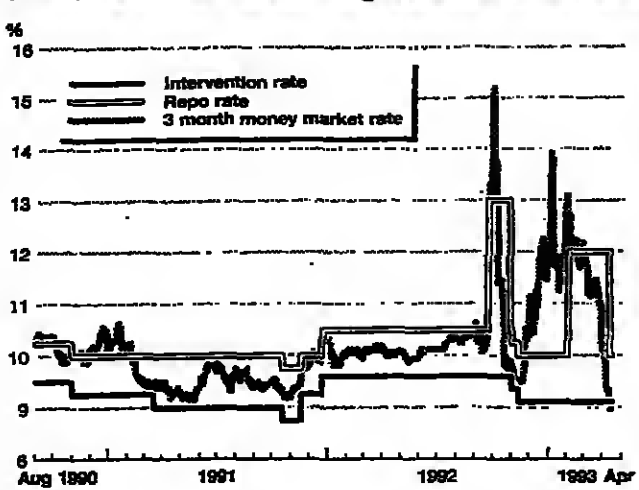
This in turn strengthens Mr Balladur's hand in making his pitch for even closer monetary co-operation between France and Germany, sufficient to ride out possible storms arising out of Danish and British decisions on the Maastricht treaty.

But the battle for the franc will not finally be won until

## First cut is the easiest

France has limited room for manoeuvre in monetary policy, writes David Buchan

French interest rates: long-awaited loosening



health is restored to the French economy and to its state finances. Even the record low point for inflation has its downside, because it increases the "real" cost of interest for companies and individuals on their borrowings.

"Today's interest rate cuts are not enough to relaunch growth," says Mr Jean-Michel Charpin, chief economist of the Banque Nationale de Paris. "Although we are clearly on the right path, with the three-month interbank rate also down to 8.75 per cent today, this rate has to come down to 7 per cent," he stresses. Other economists see the need for even bigger cuts to kick the stalled French economy into life again.

Mr Balladur's sober start has so far gone down well in the public opinion ratings which have given him the highest marks of any Fifth Republic prime minister. But this honeymoon may soon be cut short, because his room for economic manoeuvre is so small. The only refutation measure he has announced, a saving of FF20bn (£2.41bn) - yet to be identified - out of a budget deficit of over FF300bn this year, is to be used to give property investors and developers tax

breaks to revive the depressed real estate sector.

Other larger-scale measures have been mooted. But they will either punch an even bigger hole in the state's finances (up to FF100bn, if the government decides to help companies' cashflow by implementing a speedier refund of value added tax), or are too gradual to have any immediate effect on growth and employment (such as the proposal to transfer progressively the FF150bn a year social charges from company payrolls to the state budget over 10 years).

France's sad experience in recent years is that it generates fewer jobs for a given amount of growth than its neighbours, and there is no one in the country, from Mr Balladur down, who believes that with the economy forecast to expand by less than 1 per cent this year the number of unemployed will fall below its current level of 3m before 1994.

The structural roots of unemployment lie in "productivity rates, rigidities of labour market practices, the cost of labour," says Mr Charpin. Tackling this will take a long time. This is why Mr Balladur

has set himself a five-year economic programme. But with presidential elections due by 1995 he may in reality have only two years to play with.

In contrast to last year when France recorded a large trade surplus, the European horizon looks equally sombre from Paris. Despite the continuation yesterday of EC discussions about a European growth initiative, French exporters are saddled with the handicap that the franc has appreciated by about 8 per cent since mid-1992 against other European currencies.

This fact, together with depressed domestic demand, hardly creates the right climate for French companies to start reversing the investment spending cuts they have been making since 1990. Even if it were, French industry would take its time about sinking money into new plant, when their existing factories are so under-utilised.

In such circumstances, Cartesian logic might indicate that France's best hope would be for a liberalisation of world trade - as could be provided for by an early settlement to the General Agreement on Tariffs and Trade negotiations. But the Balladur government seems just as hostile as its Socialist predecessor to a rapid EC agreement on terms acceptable to the US, and indeed to many of its EC partners. Among the latter, the most important is Germany, and Mr Balladur will be trying this week to convince Mr Kohl of the need for a tougher European trade policy.

But however forcefully he puts his Gatt case to Mr Kohl, Mr Balladur cannot ignore that he needs Germany's co-operation on monetary matters even more. It is only with the full political and financial backing of Germany's government and central bank that the franc has beaten off the speculators.

Certainly, the foreign exchange markets have taken to Mr Balladur's conservative style and policies. The franc closed yesterday at a rate of FF13.378 to the D-mark, up more than three centimes since March 21, the date of the first round of the French legislative elections, which signalled a landslide victory for the centre-right.

Yesterday's official interest rate cuts were relatively easy, because they merely consolidated the movement that had already taken place in the market. Further cuts in official French rates will have to depend on what the Bundesbank does next.

## Joe Rogaly

# Age of the old buffer



Our churches, those seductive promoters of immortality, are losing customers. This is another example of short-termism. The question of eternal life, the lost congregations tell themselves, is not an immediate one. What does seem urgent is to ask what we are to do with the extra quarter of a century that most of us can now look forward to - and how to pay for it. The ancient conundrum that gave so much gainful employment to philosophers in centuries past is being turned on its head. In the west the contemplation of life after death is being replaced by studies of life before death.

Canny social scientists are seeing the opportunity opened up by this shift in the angst market. Some of them will meet in London next week to discuss "life, work and livelihood in the third age", a conference called to mark the recently published final report of a Carnegie-sponsored inquiry into those topics. The "third age" is taken to mean everyone over 50 and under 75. In Britain that amounts to a quarter of the population, or some 14m people.

This important chunk of society would not exist but for 20th century medicine and economic development. Since 1901 the average life expectancy at birth has risen from 45 to 73 for men and from 49 to 79 for women, largely as a result of a reduction of deaths in infancy and childhood.

At the same time the number of people surviving into what Carnegie and others term the "fourth age" - the years of dependency - has grown sharply. In 1951 only 4 per cent of the UK population was aged 75-plus; by the turn of the century the proportion will have

doubled to 8 per cent.

Carnegie's central proposition is that the 50 to 75-year-olds should be kept busy, either in gainful if part-time employment, or in voluntary work, the better to be able to help finance or manage the upkeep of the over-75s. "Fundamentally, the third age could be the source of a major contribution to the economy or a drag upon it," says the report. Solutions may be easier to find for those whose working lives have been brain-driven than for those who have been made redundant by the contraction of smokestack industries. Old miners, old steelworkers, old shipbuilders may not die - not just yet - but we know that many of them are doomed to spend long empty years fading away.

The unfairness of human existence persists to its end.

This is recognised in the report, whose chapter on pensions is the best in the book. No surprise here: it was prepared at the Institute for Fiscal Studies. Under Carnegie's label the IFS presents a list of recommendations, and a set of options. The choices make themselves. First, we cannot afford, and should not aim to afford, state pensions for under-65s. Recent hints from ministers suggest that there is some infirmity of purpose on this matter. The logic of raising the pension age for women to 65 has been accepted. What remains to be demonstrated is the will, in my view the state pension age should be 70, and rising.

Second, the earnings-related state pension should be abolished, although existing commitments will have to be met. Let private and occupational pensions do the job for which

Serps was intended. Third, the upper earnings limit on National Insurance contributions should be removed, thus raising the marginal tax rate on the top tranche of higher earners' incomes.

The tens of billions of pounds saved could be directed towards better social security for very old pensioners, the majority of whom are women. Retired people in the third age are more likely than their older relatives to have independent sources of income, such as part-time earnings, company pensions, savings, a paid-for house, or even a few dividends. For them the government's policy is to allow the value of the basic state pension to decline in relation to average earnings - that is, to let it

with away.

Perhaps this is right.

It is in the fourth age that the need becomes desperate. Loading the money into support for people who depend entirely on the state makes

sense. The pity is that no one has a comparable plan for men in their 60s who are trapped in long-term unemployment - unless you count what has become a ritual incantation about education and training.

The IFS chapter also floats the idea of long-term care insurance, which would help defray the costs of living through our 80s and, with luck, our 90s. This could be a runner. I turn to Professor Alan Walker of the University of Sheffield. He is co-ordinator of the European Community's official and continuous colloquy on these matters - the "EC Observatory on Ageing". Professor Walker says that there are now two models of late-in-life care evolving

within the Community.

The predominant one is for the state to pay, as with Britain's community care (some of which is in private homes) and Denmark's luxurious home helps, who are available around the clock. Against that, Germany and Belgium are developing state-organised insurance schemes. This sounds more like it: an individual armed with insurance money can make a better choice of carer than a local council official. Even better would be laws against age discrimination, as in the US. True, these are evaded but in logic they must help break down social attitudes based on 19th-century rates of life expectancy.

Grey power in America is, however, an old story, its victories won, its consequences digested. Europe is different. Here the tendency has been to encourage early retirement. Less than half the men aged between 55 and 64 in France and the Netherlands are counted as economically active. The UK figure in the year cited, 1988, was 88 per cent, a sharp fall on the 91.3 per cent of 1970. According to Prof Walker that tide is turning. The tendency in Continental northern Europe is now to reduce the force of "early exit" policies.

Thankfully, this will be matter for individual countries. The EC has no legislative competence here, although it might acquire some under the social chapter of the Maastricht treaty. To compensate itself, it is financing talk-fests. This is the Community's "Year of Older People and Solidarity between Generations", a soggy phrase derived from surveys that suggest that the aged prefer to be called something like "senior citizens". Personally I am - shall be - quite content with "old buffer", if the money is right.

### In the west the contemplation of death is being replaced by studies of life before death

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Ivory tower view of German railways

From Mr Richard Gill

Sir, Prof Dore's plea (Letters, April 17) for the German way of "microcorporatist" rail union involvement, by which he apparently means the sacrifice of short-term profits to attain flexibility and quality, was written in his ivory tower with all the windows firmly shut. As the *Süddeutsche Zeitung* reported on April 6, the truth about German Rail is very different. Its debts now amount to at least DM70bn (£28.8bn), and are rising at about 10 per cent a year. For 1992, the turnover of the West German Railways in goods traffic was less than in 1972.

The current plan, therefore,

is to set up a limited liability company called Deutsche Bahn AG, which will have the effect of transferring DM70bn of debt to the German taxpayers (and to me). These are the real results of microcorporatism.

What Prof Dore advocates is in fact a daily burden on the German taxpayer of DM27m (£11m), solely to offset the daily loss made by German Rail. If Prof Dore had said that microcorporatism means macrolosses, he would have been at least accurate in judging economic performance.

R Gill

Daphnestrasse 21, 8000 München 81, Germany

### No contravention of Gatt rules by Japan's low-alcohol tax

From Mr Kojiro Shiojiri

Sir, I read with interest Michio Nakamoto's article, "Japanese low-alcohol tax sinks EC spirits" (March 24). The article leaves one with the impression that the new tax rates for low-alcohol whiskies in Japan somehow contravene the General Agreement on Tariffs and Trade.

Those new tax rates have recently been imposed on low-alcohol whiskies, which began coming on to the Japanese market at the start of this fiscal year. The new rates apply equally to domestic and foreign products, and therefore neither penalise foreign products nor break Gatt rules.

Japan is not alone in producing low-alcohol whiskies, which are naturally taxed at a lower rate than full-strength whiskies. Distillers in both Canada and France also produce and sell low-alcohol whiskies. Moreover, as you know, whisky and lemonade can be found in the British market. In fact, *misuzu* is taxed under a system much like the one used in the UK for low-alcohol beverages. It does not seem appro-

priate to single out Japan in this matter.

The crux of the issue is that European Community regulations prohibit whisky distillers in the EC from producing and selling "whisky" which is less than 40 degrees proof. The issue at hand, therefore, lies not with questions of tax discrimination on the part of Japan.

With regard to the tax differentials that Michio Nakamoto mentions in her piece, I would like to emphasise that they have narrowed considerably as a result of the 1989 revision of Japan's Liquor Tax Law, which was undertaken in accordance with the recommendation of a 1987 Gatt panel.

Those differentials have dropped from 1:16 to 1:5 for *shochu* and whisky, and from 1:2 to 1:1 for *shochu* and white spirits (based on percentage of alcohol).

Kojiro Shiojiri, director, First International Economic Affairs Ltd, Ministry of Foreign Affairs, Tokyo, Japan

### Real dangers of Bosnia appeasement policy

From Dr A H Hermann

Sir, Had the US refrained from pouring oil on the fire and refused to supply arms to the UK in 1940, and later to the Soviet Union, many lives could have been spared and the second world war much shortened. It could have been avoided entirely had the UK kept out of the conflict between Hitler and his neighbours. Indeed, if not deported and sent up the chimney, we could now be spared the Maastricht treaty tussle: we would be living in the Nazi Union.

Of course, the brutal expulsion of millions of Bosnians from their homes and the connected atrocities touch the nerve. But so also should the genocides in progress in many other parts of the world.

In Bosnia-Herzegovina, however, what is at issue is not our feelings but our future. Srebrenica is the present day Munich. It stands for the appeasement of Russia, whose imperialism is only temporarily subdued. Having survived the czars, Stalin, and Brezh-

nev, it is already lifting its head again by supporting Serbian conquest. And this will hardly stop before the Serbs subdue also Croatia and Slovenia on whose toll they became accustomed to live.

Like Munich in 1938, so now Srebrenica. The appeasement policy of the present government will encourage further Russian expansion - by setting Romanians against the Hungarians, Slovaks against the Czechs and Ukrainians against the Poles. The time will come when the UK and the US will be no longer able to sleep in peace and will be obliged to take much more radical and more painful decisions than lifting the arms embargo by which they are now helping the Serbs to complete the genocide safely and without effective opposition.

The real danger is that the present appeasement policy will in five to 10 years lead to a third world war.

A H Hermann, 14 Fawley Road, London NW6 1SH

### UK manufacturing industry must attract the most able

From Mr Crispin Hill

Sir, Prof Mackintosh (Letters, April 16) makes points about Britain's industrial future which few would question. It is fortunate that all schools must now teach technology as part of the national curriculum, but that in itself will not ensure healthy industrial production.

Part of the answer lies with the schools and universities as well as with the industries themselves.

Since the middle of the last century the most able pupils have been encouraged to enter the professions, the services and other non-technical careers. Many great industrialists of the early 1800s, when they retired to the countryside, discouraged their sons from

"dirtying their hands" in industry and sent them to appropriate schools. This tendency is now perhaps declining but the trend continues. The City of London seems more attractive than the factory.

Manufacturing industry now urgently needs to make itself at least as attractive a possibility for pupils leaving school and university as other well-trodden careers. The onus is on the academic world to give informed advice, with real encouragement to enter industry, and on industry to draw the best pupils.

Crispin Hill, head of craft design technology, St Aubyn's School, Rottingdean, Brighton BN2 7JN

### Girobank telephone banking designed to complement network

From Mr Richard L Banks

Sir, I was interested to read John Gapper's article, "Banks dial M for money" (Banks 6), but I would like to comment on some of the points he made about Girobank.

As the pioneer of telephone banking, Girobank has never had to "support small branch networks" as he stated. Unlike other direct banks all our L5m Link cash dispensers and the nationwide Post Office network, which we use on an agency basis, as well as our

Telecare telephone banking centres at four regional locations. This combination gives our customers a truly convenient service.

We regard the country's 20,000 Post Office outlets as a big asset, especially as, with the growing number of bank closures to which John Gapper referred, they are now the sole provider of banking services in an increasing number of communities. This is important because, although the telephone can handle information, it cannot deliver the cash that

customers still need.

Girobank's cost/income ratio is indeed higher than those of its competitors but this reflects the make-up of our interest and fee income which is not comparable with the other high street clearers.

More significantly, in 1992 Girobank achieved a return on shareholders' funds of 44 per cent, higher than any of the other clearers.

Our telephone banking service is very cost-effective and complements the convenience of the highest network of out-

lets of any bank or building society. We are not convinced customers should be forced into a strait-jacket of telephone banking simply because other banks are trying to recover the costs of some of their worst excesses of the 1980s.

Girobank, I am pleased to say, continues to attract new customers at an encouraging rate.

Richard Banks, senior general manager, personal banking, Girobank, Bridge Road, Booter, GIR 8AA

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# FINANCIAL TIMES

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Tuesday April 20 1993

## Democracy, Pakistan-style

IT DOES NOT say much for the development of democracy in Pakistan that all three civilian governments since the lifting of martial law in 1985 have been sacked by a president acting with the consent, though on this occasion apparently not the active co-operation, of the military. President Ghulam Ishaq Khan has tarred the dismissed prime minister, Mr Nawaz Sharif, once his protégé and now his victim, with the same brush as Ms Benazir Bhutto, whose government he removed in 1990. Then, as now, the charge was corruption. But this time the president's motive is clearly to preserve his ultimate sanction over governments.

Mr Sharif, like Ms Bhutto, can be accused of a degree of political ineptitude. He failed to build on the power base which he had as the president's man and as the former chief minister of Punjab province. His policies concentrated on economic reforms in the hope that success would bring political popularity. Though seemingly secure in office - he easily saw off a challenge from Ms Bhutto last year - he took on the president by seeking reversal of a constitutional amendment which empowers him to remove governments and appoint chiefs of the armed forces. But Mr Sharif lacked the clout to force the measure to a successful vote in the National Assembly, where he would have needed a two-thirds majority.

With evidence of alleged corruption not yet produced, the record

of Mr Sharif's government is generally good. He has overseen a programme to open the economy, reducing tariffs, seeking foreign investment and privatising state industries - though he has not succeeded in beating the country's most chronic economic problem, the budget deficit. Mr Sharif strove for peace in Afghanistan and sponsored an agreement which is yet to be fully tested. On the eastern front, however, Pakistan and India - both at least potentially nuclear powers - remain at loggerheads despite meetings between Mr Sharif and the Indian prime minister. The climate has been worsened by allegations of Pakistani involvement in the Bombay bombings.

An odd result of the president's move is to foster the political resurgence of Ms Bhutto, one of whose aides is a minister in the interim government. Ms Bhutto, on the pretext of backing fresh elections, finds herself colluding with the president's effort to keep the powers which he used to remove her in what she had called a constitutional coup.

It is perhaps too much to expect Pakistan's elected politicians to develop stature when their powers are so constrained. Those foreign companies which have been cautious about Pakistan despite its encouraging reforms may thus have been proved wise and aid donors, who met this week in Paris, will have to consider whether Pakistan can fulfil economic promises given the country's evident political fragility.

## Over-the-top pay

TAME non-executive directors sitting on malleable remuneration committees advised by tame pay consultants appear to have pulled off the trick once again. According to the Institute of Management's latest annual salary survey, directors of British companies with a turnover of more than £500m received average pay rises of 6.5 per cent last year, more than twice the national average. Such is the monetary with which surveys reveal a higher rate of pay inflation in the boardroom than in the world outside that there is a growing risk that no one will notice. Yet notice needs to be taken, because the disparity is symptomatic of much that is wrong with British corporate governance and management.

Over the past decade and a half, hidden unemployment has been substantially reduced in the British private sector. Big companies, where boardroom pay inflation is highest, have been net shedders of jobs and employment practices have moved closer to the US hire-and-fire model. This harsher industrial climate is unlikely to be compatible with harmonious labour relations, over the longer run. If there is a perception that the balance of risk and reward is being unevenly shared.

The growth of hostile takeover activity and the increasing assertiveness of institutional shareholders have admittedly introduced a modicum of accountability into the British boardroom. The Cadbury report on corporate governance has also made some contri-

bution. But the balance remains uneven. One tell-tale indication is the fact that the highest paid directors in the Institute of Management's survey were in the privatised energy sector, where the average salary was £110,981. This raises once again the question as to the justification for the large pay increases awarded to directors of newly privatised companies, notably the utilities.

At a more fundamental level, the tendency of companies in the Anglo-Saxon economies to offer much larger pay packages to top executives than their opposite numbers in Germany or Japan reflects an exaggerated view of what a single executive can achieve and too little respect for the symbolism of pay relativities between board and shop floor.

Much of the problem with existing practices lies in the non-executive directors' shared interest in high levels of executive pay, since so many non-executives are executive directors elsewhere. Within the existing framework of company law, the Cadbury committee was probably right in arguing that the chief discipline must be openness. And in suggesting that the chairman of the remuneration committee should answer to shareholders at annual general meetings, Cadbury provides a constructive weapon to shareholders. It would have been still more constructive if the committee had been less timid in its disclosure recommendations. But institutional shareholders should not hesitate to make the most of it.

## AT&T vs BT

THE PROSPECT of American Telephone and Telegraph and British Telecommunications invading each other's turf - brought nearer by the US company's application for a UK licence last week and a similar application by BT in the US last month - will cheer telephone users on both sides of the Atlantic.

The traditional cartel structure for handling international traffic has served customers ill. While it would be naive to hope for a head-on collision between the two giants, more competition should bring substantial benefits.

The most obvious would be cheaper transatlantic call charges, currently two to three times cost. Customers could also benefit from a wider range of services, such as international freephone dialling and from dealing with the same operator on both sides of the ocean.

The consumer interest in greater competition has long been clear - in fact, there have been desultory talks between the US and UK governments for two years aimed at opening markets. What has changed is that BT and AT&T now realise that competition is in their interests too.

In the past, they believed that their interest lay in excluding each other from their markets. Now they judge there is a greater advantage in a reciprocal opening. This is partly because they have found the market for international calls is highly "elastic" - cutting prices stimulates greater phone usage, perhaps even to the extent

of compensating for the cut in margins. Moreover, both AT&T and BT have an interest in building traffic bases in overseas markets so they are well positioned to become leading players in an increasingly liberalised global market. A similar consideration applies to the UK economy as a whole. Cheaper and better handled calls between the UK and the US would reinforce Britain's position as Europe's largest telecommunications hub, on which it could further capitalise when markets in the rest of the continent are opened.

While the giants' conversion to liberalisation is welcome, a beneficial outcome is by no means assured. Although they would now prefer mutual opening of markets to mutual exclusion, the ideal outcome for each would be the maximum opening of the other's market and the maximum protection at home. In fact, BT and AT&T have lost no time in listing restrictions which exist in the other's market and in insisting that these be removed before their home markets are opened.

Details obviously matter, but there is a danger of negotiations being bogged down in minutiae. What is needed is for both governments to inject urgency into the talks. In doing so, they will need to keep sight of the big picture and be prepared to override some of the detailed demands of their phone companies. They must ensure that the best does not become the enemy of the good.

In the sunny suburbs of Orlando, Florida, you can gain an insight into one of the most far-reaching changes of industrial structure taking place in the US - the slow death of the monopolies enjoyed by America's local telephone companies. Orlando has been chosen by Time Warner, which runs the second largest cable television system in America, as the commercial launch-pad for one of the most ambitious interactive home entertainment and communications networks yet attempted in the US.

An initial 4,000 subscribers will be able from next year to call up on their cable television systems a wide range of movies on demand, as well as interactive video games and video home shopping. And stepping well beyond cable TV's normal business, Time Warner wants eventually to offer its Orlando customers personal communications services (PCS) - a kind of mobile, wireless telephone system - and direct access to the lines of long-distance telecommunications companies.

Both services could divert some business from the local telephone company. Time Warner, which has already tested consumer appetite for its services in the New York city borough of Queens, aims eventually to roll them out across the US.

This is just one example of how technological change - in particular the ability to translate video, audio and data information into digital form and then transmit it along fibre optic lines - is blurring the distinction between the US telecommunications, media and computer sectors. The three are converging into a single industry, offering customers the ability to summon up a wide range of communications services on a single video screen.

Radical change, therefore, confronts the seven "Baby Bell" regional companies which dominate the local industry, as well as the other independent companies which are part of the patchwork of local telecommunications monopolies.

On the one hand, the fraying of the local monopolies creates a significant threat to the Baby Bells' financial performance just at a time when the companies need big capital outlays on new technology. On the other, the new world opens up huge new business opportunities if these slow-moving companies can become nimble enough to grasp them - and are allowed to do so by the state and federal regulators which monitor their every move.

"It is like the early stages of the collapse of the Soviet Union," says Mr Victor Schnee, of New Jersey consultancy Probe Research, the author of two books which forecast much of the current turmoil. "There are more volatile and destabilising elements all the time. The perception of risk is growing in each company." But he adds that, just as in the former USSR, the industry's leadership is riven by dissent over which direction to take.

The past few months have produced a series of different initiatives by local telephone companies looking for ways to improve their positions in the competitive new world. They include radical proposals by Ameritech, a Baby Bell, and Independent Rochester Telephone to abandon their monopolies and open their businesses to competition. In return, they seek greater freedom from regulation. Other proposals include a scheme by Pacific Telephone to spin off its wireless communications operations as a separate company. Southwestern Bell has launched the first takeover bid for a large US cable TV business by a leading telephone company.

The new competitive forces look likely to hasten the end of the American telecommunications industry's unusual structure, which was imposed in 1984 by the so-called Modified Final Judgment (MFJ). This settled an anti-trust court case against American Telephone and Telegraph, then the dominant long-distance and local US telephone company, known as Ma Bell. AT&T's local telephone operations were spun off into seven separate "Baby Bell" regional companies. The rump AT&T was left with the long-distance telephone

## America's Baby Bell telecoms groups face radical changes, writes Martin Dickson

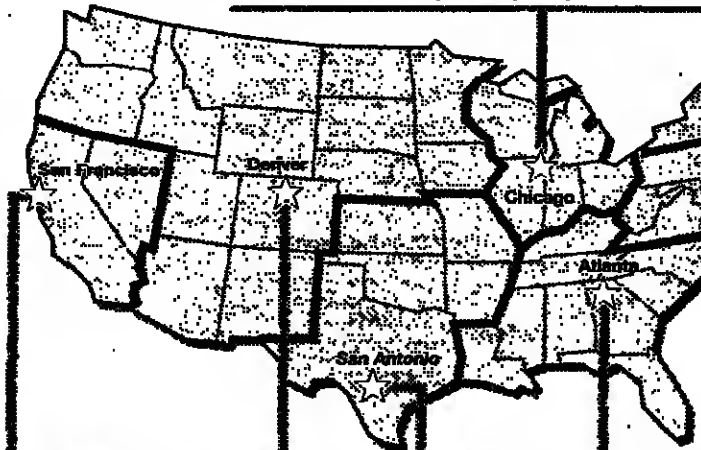
# Forced from a cosy cocoon

Baby Bells: ringing the changes

★ Headquarters

**Ameritech**  
Revenues \$11.2bn; net income \$1.35bn.  
The last Bell to diversify out of its traditional business. Now being shaken up by chairman William Weiss, who has started a fundamental reorganisation and offered to accept competition, in return for greater regulatory freedom.

**Nynex**  
Revenues \$13.2bn; net income \$1.31bn.  
Faces strong competition in New York from "competitive access providers" (CAPs), which bypass its lines.



**US West**  
Revenues \$10.3bn; net income \$1.2bn.  
Covers a vast, thinly populated region. Has teamed up with Tele-Communications, the largest American cable network, in UK cable ventures and US experiments.

**BellSouth**  
Revenues \$15.2bn; net income \$1.62bn.  
The largest of the Baby Bells, operating in one of the fastest growing areas of US. A leader in fibre optic cable deployment and cellular telephony.

**Bell Atlantic**  
Revenues \$12.6bn; net income \$1.34bn.  
Probably the most aggressive Baby Bell in meeting new competition head on. It is challenging in court the ban on phone companies owning cable interests and is testing an innovative video-on-demand service using ordinary phone lines.

**Pacific Telephone**  
Revenues \$9.4bn; net income \$1.14bn.  
Decided last December to spin off its fast-growing wireless operations as a separate company.

**Southwestern Bell**  
Revenues \$10.01bn; net income \$1.3bn.  
The smallest Bell company. Recently launched first bid by a US telecommunications company for a US cable company.

market - where it faced competition from upstart rivals such as MCI Communications and Sprint - and manufacturing telecommunications equipment.

The judge overseeing the case, Mr Harold Greene, also barred the Baby Bells from entering three markets - long distance, equipment manufacturing and information services. He feared the companies, which account for some 80 per cent of the local services' \$90bn in annual revenues, might use their monopoly telephony revenues to compete unfairly in these areas.

After a long campaign, the Baby Bells managed to get the information services ban removed 18 months ago and they are pressing to be allowed into the two other businesses, on the grounds that they now face significant local competition. The companies still account for the bulk of local communications traffic, but competition is growing in four important, interlinked ways:

- State and federal regulators have allowed new local telecommunications companies, known as "competitive access providers" (CAPs), to establish themselves in many metropolitan areas, where they operate highly efficient fibre optic networks. They create off some of the local monopoly's most profitable business customers by offering cheaper rates to transmit their bulk traffic around the area and directly into networks run by long-distance carriers.
- The CAPs are still very small, accounting for only about 1.5 per cent of total local telecommunications revenues. But some of the biggest have been bought by cable TV companies, which gives them added financial clout, and the business could grow rapidly thanks to a landmark ruling last September by the Federal Communications Commission (FCC), the government agency

which oversees the industry. The agency voted to allow the CAPs to link their networks into those of the local telephone companies, so the newcomers can offer private line services between states to business customers with offices located out of the reach of the CAPs' often-restricted networks.

- Long-distance carriers, led by AT&T, resent the high charges they have to pay the local telephone companies to carry calls over the last mile or two of wire to customers. These "access charges" bear little relation to the cost of providing the service, yet account for about 30 per cent of local operators' revenues and are the largest single expense for the long-distance groups.

AT&T and its rivals are urging that the local market be opened to greater competition in the hope that this will cut access charges and spur traffic growth. They are also themselves nibbling away at the local telephone companies' revenues, since telecommunications regulators in over 30 states now allow long-distance carriers to compete in the lucrative market for intra-state medium-distance calls. New technology is about to make it much easier for consumers to dial up an alternative service provider.

- There has been a rapid growth in the US of the cellular telephone industry, which offers an alternative means of communication to the local phone company's network. The Baby Bells are among the leading players in this business, since the federal government granted the local telephone monopolies one of the two licences it issued to operate a cellular service in each region.

However, the second licences are held by independent providers and the largest of these, McCaw Cellular, frightened the Baby Bells late

last year by agreeing to sell 33 per cent of its equity to their arch-enemy, AT&T.

If the deal goes through it will give AT&T its first foothold back in the local market, as well as another potential means of bypassing the Baby Bells' access charges.

Wireless competition to the Bells will intensify over the next few years when the FCC gives the go-ahead for PCS, a new kind of mobile communications network which uses small, inexpensive, lightweight phones.

Cable TV companies, including Time Warner in Orlando, have made clear that they intend to play a significant role in PCS, since they can cut the costs of installing a system by piggy-backing it on their cable network.

- The Bell companies face an even bigger tussle with the cable companies over which industry will dominate the provision of new multi-media services to the American home, ranging from movies-on-demand to video telephones and home shopping.

Both industries could exploit the market, since each already has communications wires running into US homes and these can be upgraded through the use of fibre optic cable and modern technology for compressing digital images and switching, or routing, information.

But the two industries also have distinct strengths and weaknesses. Cable companies are experts in providing entertainment, which is likely to account for the most intensive home use of the new systems. They also have a capital investment advantage: the relatively high capacity of their existing co-axial cable means they should not initially have to place as much fibre optic cable in the local network as the telephone companies, whose systems consist largely of low-capacity twisted copper wires.

The phone companies, for their part, have much greater financial muscle (their \$90bn of annual revenues compares with cable's \$20bn) and have two important skills which the cable sector lacks - precise routing of two-way information flows and sophisticated billing techniques.

The local phone companies - whether or not they are Baby Bells - still face a huge barrier to full participation in multi-media. They are barred by law from owning a cable operator in the area where they provide telecommunications services. However, the past two years have seen regulatory changes allowing them to at least get a foothold in the video industry.

The first was the 1991 relaxation of the ban on the Baby Bells entering the information service industry. This paved the way for Southwestern Bell, which serves Texas and surrounding states, to make an agreed \$850m bid last February for two cable systems in suburban Washington, DC. The deal still has to be approved by Judge Greene, but assuming it goes ahead it will be the first acquisition of a big cable system by a telephone company and will set an important example for others to follow.

The second regulatory breakthrough came last year when the FCC permitted telephone companies to offer "video dial tone" - in other words, to transmit television programmes over their own lines for third parties.

One of the first to take advantage of this is Bell Atlantic, the Baby Bell serving the middle of the eastern US seaboard, which is making particularly energetic thrusts into multi-media services. It has secured, for example, to build a state-of-the-art fibre optic cable television transmission system (which will also carry its own telephone services) in three New Jersey communities for the incumbent cable operator.

This is but one example of increasing co-operation between cable and telephone companies in multi-media ventures, suggesting that the current tussle may end up in a complex series of partnerships between the two sides, rather than a clear-cut victory for one industry or the other.

With all these competitive forces intensifying, the Baby Bells need to become more entrepreneurial, but they are hamstrung not only by their cautious traditions but also by regulations.

In an unusually bold attempt to overcome both these problems, Ameritech, the Chicago-based Baby Bell, recently announced a total reorganisation of operations to make it much more "customer focused", as well as a radical proposal for reform of the industry.

It has proposed opening its local system to competition allowing other companies to provide services by connecting directly into its distribution network.

In return, however, it wants to be allowed to enter the long-distance and cable markets, and be freed from so-called rate of return regulation, which puts a ceiling on its profits, rather than its prices.

Many analysts think the local communications industry is broadly heading in the direction outlined by Ameritech, but getting there is likely to be extremely messy and highly political. The government agency with a say in the matter is the FCC, which is awaiting a new Democratic appointee as chairman; the Justice Department; Judge Greene; local state regulators; Congress, which in recent years has repeatedly considered legislation to liberate the Baby Bells; and Vice-President Al Gore, who favours letting the telephone companies fully into cable.

The Clinton administration, which professes great enthusiasm for the creation of "21st century information super-highways," could try and bang some of these heads together to produce a coherent national telecommunications strategy. But for the moment the main catalysts of change in the industry are market pressures, such as those under way in Orlando.

## Border raid on Belgium

There was something of a run on the Belgian franc yesterday morning, and for once, the central bank was powerless to defend the currency - it managed to lose some BF770bn in its attempt to lure some robbers through its own back door.

Even for connoisseurs of Belgian curiosities a successful robbery of the central bank is something of a rarity, and bank officials were rather keen to play down the heist. "The robbers didn't attack the bank, they attacked a postal van," insisted a bank spokesman, although he admitted that the raid had taken place, literally, in the bank's backyard.

In other respects, the would-be speculators played it entirely by the book, mounting their dawn raid not on the hard-core headquarters of the bank in Brussels but on an outlying subsidiary in Arlon, near the Luxembourg border. Like many Belgians seeking to avoid home-country scrutiny of their income, the thieves may even have slipped across the frontier and tried to deposit the booty at one of the Grand Duchy's 200 or so banks.

Could it have been an inside job? Bank officials were mystified as to how the thieves got in. Bank governor Alfons Verplaetse was in Basle for a meeting of EC central bankers, so he had a perfect alibi,

as did Belgium's most wanted man, Patrick Haemers, who went on trial yesterday accused of a series of bloody hold-ups across the country during the 1980s.

Happily, there were no casualties in yesterday's raid, except perhaps the Belgian national debt - now up from BF8,587,000,000,000 to BF8,587,070,000,000.

## Out of date

Oh dear, Spring Ram, a company which used to release its accounts on the same day as its preliminary figures, has had to delay publication of its report and accounts because of a missing piece of text. Could it be the bit from the company's auditors?

Fortunately, the missing item is not thought to be so sensitive. Among the information that had to be squeezed in late were the resignation of finance director Stuart Greenwood from the once glamorous kitchens and bathrooms manufacturer and the appointment of the first non-executive director. Shareholders nursing their losses may wish to know that the AGM is on home turf on May 21 at the Hilton Hotel, Leeds.

## Maude transfer

The speed with which 39-year-old Francis Maude has jumped from one high-paying job at Salomon Brothers to an even more highly paid one at Morgan Stanley International, is wonderful news

## OBSERVER



'Give us our flag back when you've finished with it'

for out-of-work MPs.

Although his salary is secret it would be surprising if young Maude were not a millionaire by the time he seeks re-election to Parliament. He has proved that there are still lush jobs for smart and well-connected boys. Even so, it is far from clear why the former financial secretary at the Treasury is regarded as such a hot property.

Apart from a few dogs like British Coal and British Rail, there is not much left to privatise in the UK so Maude's contacts in this area can't be much use. And it is hard to judge his added value when it comes to privatising Czech power or the Polish railways. Given that

he has almost certainly not ruled out a return to politics at the first whiff of a safe seat, Morgan Stanley must be seeking an unusually quick pay-back on its latest investment.

## Pint of view

A conflict of political theology is coming to a head at the Department of Trade and Industry.

Nell Hamilton, the free-market minister in charge of the government's deregulation initiative, is pressing for the abolition of regulations that insist a British pint of beer must be just that - exactly a pint. The froth cannot be included, Hamilton argues that drinkers know if they are getting short measures and can remove their custom. It is all unnecessary red-tape, he says.

Enter Edward Leigh, industry minister and as much a Thatcherite as Hamilton. But the regulations on a pint of beer were largely his creation and a notable publicity winner for him back in December 1991. He is putting up a strong fight to stop Hamilton getting his way. Right arms they may be but cheers is not the word.

## In the shade

When it comes to stock market forecasts there are good firms and bad. However, BZW has broken new ground by venturing into a particularly tricky area of British forecasting - the weather.

As one of the lead brokers on

the rights issue for Zeneca, ICI's bioscience subsidiary, BZW has pulled out all the stops to show off its client. Tucked away inside an impressively bullish 96-page report is a prediction that Zeneca's agrochemicals and seeds business will enjoy a 10 per cent rise in turnover and a 41 per cent rise in operating profit this year.

One of the key assumptions behind the upbeat forecast seems to be that just because last year's climatic conditions were "poor", the weather should be better this year. Even The Met Office would shy away from putting its name to a forecast like that.

## Herd class

How does the world's most powerful transport minister prevail the world? When Federico Pena, the US secretary of transportation, returns home today after talks in London with his UK opposite number, he will be travelling the same way as he arrived - by economy class, albeit on an American-owned and built jumbo.

Pena, like his boss, is said to be very sensitive about spending taxpayers' money and his decision to travel with the herd will probably be the only memorable thing about his visit. These sorts of PR gimmick rarely survive for long - so Observer is offering a bottle of the finest malt whisky for the first recorded sighting of Pena travelling in any style other than economy.



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# FINANCIAL TIMES

Tuesday April 20 1993

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THE STANDARD FOR EXCELLENCE

## Chancellor of the exchequer gives an upbeat assessment of the economy Lamont predicts growth in UK

By Lionel Barber in Luxembourg

BRITAIN is likely to grow faster than other European economies in 1993 and 1994, Mr Norman Lamont, the chancellor of the exchequer, said yesterday in his most upbeat assessment of the economy for some months.

Speaking after a meeting in Luxembourg of European Community and European Free Trade Area finance ministers, he said: "The prospects for Britain are very encouraging, even though the outlook for much of the rest of Europe remains of concern."

His remarks coincided with a forecast from the European Commission that growth in the EC this year was likely to be 0.75 per cent.

Growth could rise to 2.3 per

cent in 1994, taking into account the EC's package of measures agreed at the Edinburgh summit last December to improve the performance of member states' economies and provide for more flexible Community lending to small and medium-sized businesses.

Further evidence of recovery in the UK came yesterday in a Confederation of British Industry survey showing that retail sales grew strongly in the year to March.

The CBI reported that sales were up year-on-year for the third consecutive month, although the improvement was not yet firmly established.

Another note of caution was sounded by Gallup, the market research company, whose latest

found that the public was very unsure about the strength and durability of any recovery. Although sentiment about the general economic situation has improved, people are still wary about their own financial prospects.

The latest UK Treasury growth forecast is 1.25 per cent in 1993, and an annual rate of 3 per cent in the first half of 1994 compared to the first six months of this year.

At the Luxembourg meeting, Mr Lamont vigorously denied that the UK was pursuing growth through a competitive devaluation of sterling. The pound has been floating along with the lira since both currencies were forced out of the European exchange rate mechanism last September.

The chancellor indicated that

the UK government would like to see sterling appreciate, partly to offset inflationary pressures. He noted that UK inflation had not risen as sharply as many had expected, but added: "I welcome strongly the recent strength of sterling."

The relatively strong UK economic performance since the exit from the ERM has caused some irritation inside the EC. Mr Jacques Delors, president of the European Commission, has attacked "wildcat devaluations" which had artificially boosted competitiveness.

In Luxembourg yesterday, Mr Henning Christophersen, EC economics commissioner, said there was "nothing astonishing" about Britain starting to regain its economic potential after a protracted recession.

## IG Metall to hold ballots on strikes in east Germany

By Judy Dempsey in Berlin

EAST GERMANY'S steel and electrical sectors yesterday moved closer to an all-out strike after IG Metall, the country's powerful engineering union, decided to hold ballots in support of higher pay claims.

The ballots, to be held between April 29 and 30, will take place throughout the region's steel industry. However, ballots for the metal and electrical sector will be restricted to the northern state of Mecklenburg-Western Pomerania, which specialises in shipbuilding, and the eastern state of Saxony, the core of eastern Germany's heavy industry.

"These ballots are a first step," said Ms Dagmar Opoczynski of IG Metall. She added: "We will have to see if we obtain 75 per cent of the vote of all IG Metall members in these factories. If we do, we

could hold strikes on May 3." IG Metall's membership in eastern Germany has fallen sharply to 400,000 from 760,000 in 1991.

Mr Hans-Joachim Gottschol, president of Gesamtmetall, the national electrical and metal employers' association, claimed IG Metall was committing "economic suicide".

The threatened strike is intended to put pressure on the employers to rescind their decision to end a contract aimed at equalising eastern and western wages by April 1994. Wages in eastern Germany's metal, electrical and steel industry are about 70 per cent of west German levels, but productivity is only 30 per cent of that in the west.

Under the March 1991 contract, steel wages were due to rise by 21 per cent, beginning April 1, and for the electrical and metal sectors by 26 per cent. This would

have brought eastern German wages up to 80-82 per cent of western German levels.

But Gesamtmetall and Arbeitgeberverband Stahl, its steel counterpart, last month legally invoked a special "revision clause" in the contract, signed by the employers, IG Metall, and eastern German factory managers.

That enabled either side in the agreement to challenge the contract because of changed economic expectations. The employers have since recommended wage increases of 9 per cent, in line with the rate of inflation in eastern Germany.

But IG Metall, desperate to boost its support in eastern Germany, says workers there have the right to income parity next year as they are already paying west German prices for most goods.

## Srebrenica Moslems refuse full evacuation

By Laura Silber in Belgrade and Robert Mautner and Ralph Atkins in London

BRITISH and French helicopters of the United Nations force yesterday flew more than 100 seriously wounded and sick people from the besieged town of Srebrenica in eastern Bosnia, but the local Moslem authorities refused to allow more civilians to be taken out by road.

As the second day of air evacuations got under way under a ceasefire plan agreed by the Bosnian Serb and Moslem commanders, UN peacekeepers in Srebrenica asked the Bosnian Serb army to allow the Wednesday deadline for dismantling Moslem forces to be extended by 24 hours.

The commander of the Canadian UN battalion deployed in Srebrenica as part of the ceasefire agreement argued that there was not enough time under the original deadline for the disarmament orders to be passed down. However, General Ratko Mladic, the Bosnian Serb commander, said he would stick to the agreement he had signed with the Moslem commander Sefer Halilovic to the letter. He also denied an assertion by General Philippe Morillon, the commander of UN troops in Bosnia, that the besieging forces would withdraw as soon as Srebrenica was demilitarised.

"The agreement says that combat operations are frozen at current lines around Srebrenica," he said.

Meanwhile, Mr Andrei Kozyrev, the Russian foreign minister, suggested that a high-level meeting of the UN Security Council to discuss the Yugoslav conflict could be convened in Srebrenica. Alternatively, the London conference which launched the Yugoslav peace process last August could be reconvened, he suggested.

Washington President Bill Clinton was said to be "actively considering more options" to pressure the Bosnian Serbs into accepting the internationally brokered peace settlement in Bosnia, but gave no details.

Mr Douglas Hurd, the British foreign secretary, yesterday reiterated his call for sanctions against Serbia to be turned into a complete economic blockade, after cabinet ministers again rejected suggestions for early military action.

The Moslem authorities' refusal to allow civilians to be evacuated from Srebrenica in UN lorries was explained by some UN officials as a desire to see the seriously wounded evacuated by helicopter before anyone else. But other officials suspected the Moslem authorities of not wanting to depopulate the encircled town, which would be tantamount to giving it up.

The nine trucks carrying food which got through to the stricken town yesterday therefore had to turn back empty.

While the situation around Srebrenica remained tense and highly uncertain, fierce fighting took place in central Bosnia between Croat and Moslem-led Bosnian forces, formally allies against the Bosnian Serbs.

Russia attacks UN vote, Page 2

## Tokyo ready to stem yen's rapid rise

By Charles Leadbeater in Tokyo

THE BANK of Japan was this morning standing ready to intervene in foreign exchange markets in an attempt to arrest the yen's rapid rise against the US dollar which threatens to choke off Japanese export growth.

It is thought the BoJ is preparing to defend a rate of ¥110 to the dollar to check the currency's ascent. The BoJ intervened twice yesterday but it is thought extremely unlikely that there will be co-ordinated intervention with other central banks.

The yen closed up ¥1.95 against the dollar at ¥111 in Tokyo trading and maintained this level in London after President Bill Clinton's remarks in Washington over the weekend that a stronger yen would help to cut Japan's trade surplus with the US.

Mr Clinton's comments, which came after similar remarks several weeks ago by Mr Lloyd Bentsen, the Treasury secretary, confirmed the suspicions of Japanese officials that the policy of the new Democrat administration in Washington on the yen has shifted sharply.

Senior Japanese finance officials say their understanding was that the US had been happy with a rate of about ¥120 to the dollar. Mr Bentsen's support for a stronger yen was not necessarily regarded as a guide to US policy.

However, Mr Clinton's comments after his weekend talks with Mr Kiichi Miyazawa, Japan's prime minister, seem to confirm the US administration's determination to talk up the yen. The yen's rise has provoked a mixed response among Japanese politicians.

Mr Miyazawa and Mr Hiroshi Mitsuoka, a leading policymaker in the ruling Liberal Democratic party, both supported the BoJ's move but other senior LDP leaders, stressed that the US and Japan agreed that sharp fluctuations in the yen's value were undesirable.

Money supply drops, Page 6



Time's up: Eurotunnel chief Sir Alistair Morton yesterday

## Eurotunnel delays

Continued from Page 1

accepted in negotiations that it would be possible to start running services for heavy goods vehicles from mid-January.

According to Mr Frank Cain, Eurotunnel executive responsible for construction of the project: "Contractors now say that all services will start at the same time next June."

Mr Joe Dwyer, chief executive of British construction group Wimpey and joint chairman of Transmanche Link, the consortium building the project, dismissed allegations of blackmail as "astounding nonsense".

"Sir Alistair is well aware of the principal causes of delay, notably the many and major changes to safety and performance specifications throughout the tunnel's construction."

Delivery of railway carriages which will carry cars under the Channel is currently halted over a claim for extra time and payments which TML says has been caused by design changes.

Eurotunnel says that bridging finance will be needed to compensate for the loss of revenue caused by a delayed opening.

This might be raised partly from shareholders and partly from banks. The amount of money to be provided by banks, however, is likely to be very limited. As a first step Eurotunnel planned to issue free warrants later this year which would allow its 630,000 shareholders to buy at an agreed price more shares in the company. The aim would be to generate about £200m when the warrants were exercised next year.

A further £250m-£400m would need to be raised by the end of 1995. This would leave an estimated £200-£250m to be found before the company expected to generate enough from services to cover operating costs and interest charges. This point was not expected to be reached until 1997.

The final £200m-£250m could form part of a larger rights issue as Eurotunnel sought to refinance its large bank borrowings once the tunnel has opened. It is the first time Eurotunnel has indicated how much extra cash it may need to raise once the tunnel opens. The money would be in addition to the £7.3bn already raised from banks and £1.6bn from shareholders.

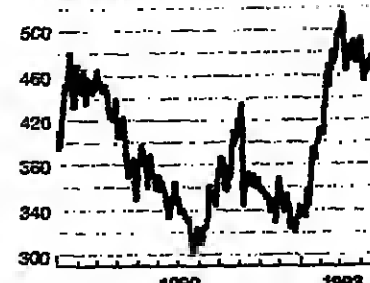
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### Eurotunnel

Unit price (pence)



Source: FT Graphs

The Channel Tunnel project, which began in a euphoric wave of *entente cordiale*, looks set to end in a deluge of dispute. Eurotunnel is now pursuing claims against a rolling stock manufacturer, British Rail and SNCF as well as both nations' governments.

After yesterday's bitter exchanges, the dispute with the TML consortium looks even further from resolution. Who will emerge as the "winner" is debatable given that both sides have already lost. The contractors can ill-afford the cash to complete the project's commissioning. They have already been forced to take substantial provisions from TML's discomfiture. Absurdly, the delay in opening could cost Eurotunnel more in lost revenues than the sums in dispute with TML.

In a more rational world, Eurotunnel's bankers might be expected to bask heads together. The good news is the spectacular project will open some time next year. Eurotunnel's shares have risen strongly in anticipation. But the company's financial vice will not immediately ease on opening. Its revenue projections for 1994 have fallen drastically from £504m to £380m. Its peak funding requirement may climb to little shy of £10bn. Even with a further injection of £650m of debt and equity finance, Eurotunnel will not reach a cash break-even position until 1997. There remain massive variables in Eurotunnel's funding, revenues and interest charges, which suggests the shares should be shunned. Erection rather than reason will, however, probably continue to drive the share price.

### US economy

Profit taking may have pulled Wall Street lower after Friday's record high, but retail investors are clearly still keen on equities. This enthusiasm sits somewhat oddly with the wider markets' sceptical attitude to the dollar. If the economy is picking up fast enough to produce the earnings recovery which the equity market needs, then the dollar might be expected to do well too.

Part of the answer may lie with the nature of the US recovery. Growth has slowed from the 4 per cent expansion seen in the last quarter of 1992. The expansion is also biased towards investment and productivity gains and away from consumers. Indeed, with individuals still retrenching and personal incomes growing slowly, a consumer boom looks unlikely. Inflation

feel unenthusiastic about an offer paid in shares by a company which has underperformed the French market by 30 per cent in three years. With Lafarge already in control and the industrial outlook so bleak, though, the minority has scant chance of forcing better terms.

### AB Foods

ABF seems to specialise in bare-knuckle fights. In the UK, the trench war in milling and baking continues to grind down the participants. The industry turns over some £2bn, yet it is making negligible profits and has plenty of latent capacity. Exit costs are high, so breaking even in the hope of an upturn may seem preferable to crystallising losses. ABF's shares rallied in the wake of Tomkins' acquisition of RHM, presumably in the hope that capacity would be cut quickly. So far that has not happened, and there seems little reason to suppose that a mild economic recovery will stimulate demand for bread.

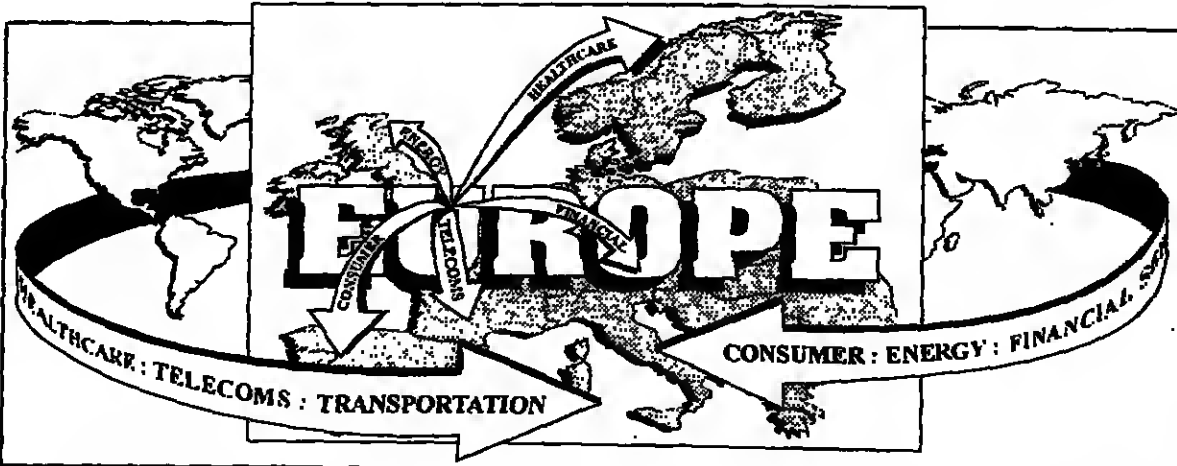
In Ireland, ABF says it has regained the market share it lost in the super-market price war. However, margins have been mauled, and rebuilding profitability will be a slow process. Only British Sugar offers comfort, yet even here profits growth is dependent on rationalisation and the benefits of green pound devaluation.

The one-off gains in investment income following sterling's exit from the ERM are also unlikely to be repeated. With interest rates low, investors may thus look for ABF's strong balance sheet to be used to greater effect. The company has so far failed to find a suitable target to apply British Sugar's expertise abroad. Until it does, prospects are dull.

### French markets

Investors delivered a telling verdict on yesterday's cut in French interest rates. The stability of the franc against the D-Mark underlined how far sentiment has turned, but the new government should not break out in the champagne. The 35 basis point cut in the intervention rate simply brings official rates into line with the drift of money market rates since the election. Real rates remain painfully high and Mr Balladur is mulling over higher taxes. French equities were rightly unimpressed. Efforts to raise the tempo ahead of Thursday's Bundesbank council meeting will doubtless fall on deaf ears.

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## INTERNATIONAL COMPANIES AND FINANCE

## Uni restructuring receives strong domestic support

By Karen Fosli in Oslo

THIRTY-FIVE domestic companies have confirmed their willingness to participate in a plan for the financial restructuring of Uni Storebrand, Norway's biggest insurance group, which collapsed last August under the weight of Nkr3.8bn (\$559m) in short-term debt.

The proposal calls for a share issue to raise Nkr2.6bn, of which Nkr1bn would be

redeemable preferential shares, and a bond issue to raise an estimated Nkr1.5bn - both of which would be listed on the Oslo bourse. The administration board is considering two other options and aims to make a decision at the end of the week.

Uni's collapse followed a Nkr4.7bn, 28.3 per cent acquisition of Skandia Forsikring, Sweden's biggest insurer, which it financed on a short-term basis and was unable to repay when creditors called in their loans after the value of the investment fell by more than half.

The group's Skandia stake, comprising 19m shares, would be spun off into a separate, wholly-owned Uni subsidiary,

and would involve selling the shares to the new unit at a price fixed at a rebate and based on the prevailing trading price of Skandia's shares on the day of the transfer.

The sale would be financed by two other bond issues, one ordinary and the other subordinate, also to be listed on the Oslo bourse.

Mr Erik Keiserud, chairman of Uni's administration board, said a decision on a solution to restructure the group would take into consideration the shareholders, creditors, policyholders and the operating company.

He said any decision would have to be approved by the finance ministry and Norway's financial regulator.

## German toolmakers announce merger

By David Waller in Frankfurt

MAHO and Friedrich Deckel, two of Germany's leading machine-tool manufacturers, are to merge.

Both companies are making losses, and the merger is an attempt to survive the current downturn in what used to be one of Germany's strongest manufacturing sectors.

The merger follows several months of talks between the two companies and is subject to the approval of Germany's cartel authorities. The combined companies will have a market share of 35 to 40 per cent in Germany in certain sectors, for example, milling and boring machines.

Maho had originally planned to build a strategic alliance with Traub, another large machine-tools company, but this plan was abandoned last month and Traub announced a co-operation agreement with Berthold Hermle, producer of milling and boring tools.

The merger is part of a trend in the industry which has forced several companies together during the past year as economic conditions have worsened.

The companies said the merger would allow them to secure their competitive position in international markets.

Maho, based in Pfaffenloren in south Germany, lost DM157m (\$97.5m) in the year to the end of June 1992 on sales down 31 per cent to DM442m; the company is expected to make losses of at least DM45m during the current year despite extensive rationalisation measures. Munich-based Deckel lost DM75m last year on sales down from DM406m to DM290m.

The German machine-tool sector is suffering from a sharp fall in demand, reflecting the cutback in investment which has characterised industry's reaction to recession worldwide. Production fell 13 per cent in 1991 and 17 per cent last year, and is expected to fall further this year to less than half the record level of 1989.

## Volvo may disclose chairman's salary

By Hugh Carnegie in Stockholm

THE BOARD of Volvo, the Swedish vehicle maker, may tomorrow make public for the first time details of the salary and benefits of Mr Pehr Gyllenhammar, its chairman, in a bid to stave off pressure from small shareholders angry over reports of excessive executive remuneration at the loss-making company.

Leaders of Aktiespararna, the Swedish shareholders' association, plan to demand details of Mr Gyllenhammar's pay at Volvo's annual meeting in Gothenburg tomorrow which is expected to be attended by about 2,000 stockholders.

They also want to know the salary package of Mr Sören Gyll, the chief executive appointed last year, and the severance deal granted to his

predecessor, Mr Christer Zetterberg, and other executives who left the company last year.

The company last year fell to a record loss of SKr4.75bn (\$610m) after financial items, and for the first time cut its dividend, by 50 per cent.

Volvo yesterday denied reports that Mr Zetterberg, 42, had received a golden handshake of SKr75m and an annual salary until retirement of more than SKr400,000. The board, which will meet tomorrow morning, is expected to issue a statement in advance of the shareholders' meeting giving at least some of the details demanded by Aktiespararna in the hope of defusing a rumour.

The company said it was possible this would include details of Mr Gyllenhammar's remuneration, which Volvo has never before published. Swedish press reports have specu-



Pehr Gyllenhammar: press speculation over his package

lated that his package amounts to several million dollars per year, including the use of a private jet and other perks.

The small shareholders face an obstacle in forcing greater disclosure by the board as they need to win 10 per cent of votes in the company to push through any resolution. They appear unlikely to receive any help from Renault, the French car and truck maker which is the highest shareholder in Volvo, with almost 10 per cent of the parent company.

Renault declined to say how the company would act in the issue, but said: "We support the management of Volvo."

Like the Swedish pension funds and insurance companies that are the other main large shareholders, Renault's chief concern is to get Volvo back in profit. In that, the management of Mr Gyllenhammar may be an issue, but the question of executive pay is regarded as peripheral, if publicly sensitive.

## Finnish commercial bank sees deficit reduction to FM2bn

By Christopher Brown-Humes in Helsinki

KANSALLIS-OSAKE-PANKKI, Finland's leading commercial bank, expects to almost halve losses in 1993 to about FM2bn (\$345m).

Mr Pertti Voutilainen, KOP chief executive, said the forecast reflected the sharp drop in Finnish interest rates which was expected to lead to a big reduction in credit losses. Last year the bank's pre-tax deficit was FM3.7bn.

Mr Voutilainen said the bank

was expecting a big drop in credit losses related to small and medium-sized companies which last year accounted for FM3bn of total write-offs of FM4.3bn.

"Non-performing loans in this sector are gradually levelling off, which is an indication that we will have fewer problems in the near future," he stated.

The drop in Finnish interest rates, which at 8.5 per cent are half last autumn's 17 per cent level, should lead to a drop in bankruptcies, he added.

KOP expects credit losses in the personal sector to increase from last year's FM400m level, because of rising unemployment.

Mr Voutilainen cautiously suggested that KOP should be able to weather Finland's banking crisis without direct state support. But it depended on the success of the company's FM300m rights issue and raising additional capital in international markets.

The rights issue is already more than 60 per cent subscribed.

## European satellite networks offer

By Raymond Snoddy

SCIENTIFIC Atlanta, the US communications group, yesterday began offering private satellite networks to European companies, including data and voice communications and business television.

The company said it was the first pan-European service of its type for private satellite networks usually known as Very Small Aperture Terminal (VSAT) networks.

VSAT networks allow companies or industrial sectors to set up their own telecommunications systems using satellites. Worldwide, the market for VSAT equipment and services is estimated at \$350m, but so far it has been small in Europe.

Scientific Atlanta says that, to begin with, it is concentrating on the automotive, banking and distribution sectors. Mr Thom Degnan, managing director of Scientific Atlanta's pri-

ivate networks division in Europe, said the company was in advanced negotiations with a leading car manufacturer for setting up a network.

He declined to reveal the manufacturer but said the network, if set up, would link more than 800 of the company's dealerships in Europe.

For a large network, the cost of linking sites with data, vision and sound varies between \$300 and \$500 a site per month.

## ABF improves pre-tax profits to £161m

By Maggie Urry in London

ASSOCIATED British Foods increased interim pre-tax profits by 7.3 per cent to £161m, (£343.1m) but non-trading items caused the rise.

Operating profits fell 9.7 per cent to £131m as the squeeze on milling and baking margins continued and there was a

reduction in retail profits.

However, Mr Gary Weston, chairman, said "we anticipate that the full year's profit figure will show some growth over that reported last year". The 1992 pre-tax figure was £267m, restated from £297m.

The interim dividend was unchanged at 8.5p and any increase in dividends for the

year would be included in the second interim payment.

A Berisford International's proposed bid for C&J Clark would be worth 239p a share, the board of the UK private shoe company told shareholders yesterday.

This is higher than the rumoured 205p a share, but includes 39p of deferred cash

relating to the sale of surplus Clark's property.

At 239p a share the company is valued at £184m (\$277.5m). Clark said an offer of 239p would give a 165.6 per cent premium to the 90p at which the shares were last traded and represented 19.9 times the average of the last three years' earnings per share.

## Henkel sales fall 2% to DM2.6bn in first term

By Ariane Genfard in Düsseldorf

SALES at Henkel, the German chemicals, cosmetics, household goods and cleaning products group, fell by 2 per cent in the first quarter of 1993 to DM2.6bn (\$1.6bn).

All operations showed a "small drop in sales" except for household cleaning products and cosmetics, which together accounted for 43 per cent of the total. Mr Hans-Dietrich Winkhaus, the chief executive said.

The company said it would pay an unchanged dividend of DM7 on common stock and DM10 on preferred stock at its

stockholders' meeting on May 17.

Mr Winkhaus said that he did not expect sales this year to fall in spite of difficult trading conditions.

He said he expected both household hygiene and chemical products, which account together for 63 per cent of total sales, to fare "relatively well" in 1993.

While the company was suffering from low demand in Germany, business was particularly good in the US, he said.

The company expects to reduce employment in 1993 by 1,000 workers, half of them in Germany.

## Operating loss deepens at Austrian Airlines

By Ian Rodger in Zurich

AUSTRIAN Airlines, the Austrian state controlled carrier, saw its operating loss jump last year to Sch437.1m (\$339m) from Sch156.9m in 1991.

No dividend will be paid for last year. The airline is expecting a similar loss this year and plans no dividend for 1993.

Austrian, which is one of four European airlines studying combined operations, said its revenues rose 12.1 per cent to Sch11.1bn, but operating expenses advanced 12.9 per cent to Sch11.6bn to produce a loss of Sch524.7m from flights and associated services.

The loss was reduced

slightly by returns of Sch87.8m from trading activities, down 63 per cent from the previous year. Cash-flow was down 39 per cent to Sch1.04bn.

The airline enjoyed very strong traffic growth, with the number of passengers carried increasing by 15.8 per cent to 3.07m. However, the yield was down 14 per cent, reflecting severe price-cutting in the airline industry. Cargo tonnage grew 24.6 per cent to 45,825 tonnes.

Growth was weaker in the first quarter of this year, with passenger volume up 3.2 per cent to 595,310 and cargo tonnage up 8 per cent to 11,043 tonnes.

**FINANCIAL HIGHLIGHTS**

Financial Highlights 1992	1992	1991
	(in million of US\$)	
Total Assets	19,490	20,451
Total Loans & Advances	10,526	11,038
Marketable Securities	1,336	1,459
Deposits with Banks & other		
Financial Institutions (Placements)	5,807	6,377
Total Deposits	15,200	16,846
Deposits from customers	8,540	10,525
Deposits from Banks & other		
Financial Institutions	6,660	6,321
Total Capital Resources	1,936	2,124
Shareholders' Funds	1,419	1,411
Pre-tax Profits	102	90

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**Changes in Reserve Position 1986 to 1991**

Commodity	1986	1991
Copper (Bilb)	2.5	21.8
Gold (MMoz)	1.0	32.4

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## INTERNATIONAL COMPANIES AND FINANCE

# Opposition rises to higher Black stake in Fairfax

By Kevin Brown in Sydney

MR JOHN Dawkins, Australia's federal treasurer (finance minister) is coming under increasing pressure to reject an application from Mr Conrad Black for permission to take a larger stake in Australia's John Fairfax newspaper group.

Mr Dawkins has until the end of the week to decide whether to allow Mr Black's UK-based Telegraph group to increase its holding in Fairfax from 15 per cent to 25 per cent. The application has attracted criticism from a wide range of public figures, including Mr Martin Ferguson, president of the Australian Council of Trade Unions (ACTU), and Mr Malcolm Fraser, a former conservative prime minister.

Mr Ferguson told Mr Dawkins in a letter that the government would fail its first big test since winning re-election last month if it allowed Mr Black to increase his stake. "The policy of the ACTU is to ensure that foreign interests cannot control either directly or indirectly the management or programme content of any newspaper, magazine or periodical," Mr Ferguson said.

Mr Fraser, who campaigned against the acquisition of Fairfax in 1991 by the Tourange consortium led by Mr Black, said the high level of overseas investment in the Australian media was a serious problem.

He said a takeover of Fairfax by Mr Kerry Packer, the media entrepreneur, would be preferable to an increase in the minority holding Mr Black acquired in 1991, because foreign control was a more important issue than concentration of ownership.

"Kerry's a good businessman and he's very much an Australian. If we are going to have... control by individuals I would far sooner [have] Kerry Packer... than Conrad Black," Mr Ferguson said.

Mr Packer owns about 10 per



Dawkins has not made a final decision but pressed to say no

cent of Fairfax through his privately-owned Consolidated Press Holdings group, but would have to give up control of the Channel Nine commercial television network before launching a full bid.

Opposition to Mr Black's application among Labor MPs has been muted since the election because of the promotion to the government of several prominent critics.

However, Mr Barry Jones, Labor's federal president, was one of five senior backbench MPs who signed a letter last week urging Mr Dawkins to block the Telegraph group's application.

Mr Dawkins is believed not to have made a final decision on the application, which is likely to be discussed by the federal cabinet today.

Tourange acquired Fairfax for A\$1.4bn (US\$1bn) after the group was put into receivership, following a bungled buy-out of family shareholders by Mr Warwick Fairfax.

The group publishes the Sydney Morning Herald, the Australian Financial Review and The (Melbourne) Age. It is the principal competitor to News Corporation, Mr Rupert Murdoch's US-controlled media group, which is Australia's largest newspaper publisher.

# HK tycoon bids \$64.3m to buy back warrants

By Simon Davies in Hong Kong

MR LI KA-SHING, the Hong Kong property tycoon, has put an end to a stormy chapter in his corporate history by making a HK\$495m (\$64.3m) offer to buy back all of the remaining covered warrants issued by him and his holding company on Cheung Kong and Hutchison Whampoa.

The announcement followed statements from Mr Li indicating that Hutchison was planning a rights issue or a placement. As a result of the comments, the price of both sets of warrants fell on Friday by almost 20 per cent, and raised accusations of market manipulation.

The offer for the warrants was pitched at Thursday's closing price, and with a combined turnover of HK\$171m yesterday, brokers estimated that many holders have chosen to accept the cash offer.

Peregrine Capital, which is handling the warrant purchases, said the offer was made to "avoid any criticism being levelled at Mr Li that he was taking advantage of the situation".

The Cheung Kong warrants were issued in February 1991 at HK\$5.30, compared with Mr Li's final offer price of HK\$3.60, while the Hutchison warrants were offered in May 1991 at HK\$3.80, compared with the offer price of HK\$2.75. The deal has therefore been lucrative for Mr Li.

Mr Li owns 35 per cent of Cheung Kong and issued the warrants against his own shareholding. Cheung Kong in turn owns a controlling stake in Hutchison, and was the issuer of the Polycourt warrants.

The warrants have taken a toll on investors' perception of one of Hong Kong's largest corporate groups. They were perceived as opportunistic, preceding a string of bad news on Hutchison.

# Tata group plans for the end of the licence-raj

Stefan Wagstyl reports on how India's largest company is coping with liberalisation

A LONG boardroom battle at Tata Iron and Steel (Tisco), India's largest company, ended yesterday with the dismissal of 75-year-old Mr Russi Mody, the chairman, after his refusal to abide by a retirement policy.

Mr Ratan Tata, deputy chairman and a member of the founding Tata family, succeeded Mr Mody, with the support of Mr J. R. D. Tata, the family's 88-year-old patriarch.

The Tisco board, meeting in Mr Mody's absence, dismissed him for allegedly attacking the company in the press. Mr Mody criticised the company after Mr Ratan Tata and Mr J.R.D. Tata pressed him to resign against his will after more than 50 years service.



J.R.D. Tata (left), Tata group patriarch, and Ratan Tata were victors in an energy-sapping boardroom battle with Russi Mody

believes it is regaining it.

He aims to stamp his authority on the group and focus on markets in which the group has a strong position or can achieve one. Other businesses must be sold or wound down.

Mr Ratan Tata's task might have been easier if he had started earlier. But Mr JRD Tata delayed his retirement from the chairmanship of Tata Sons until he was 86.

Mr Mody and chiefs of other leading operating companies increasingly ran their businesses independently, sometimes even entering into competition with each other.

Mr Ratan Tata's answer was last year to introduce a controversial retirement policy, requiring managing directors of group companies to retire at 65 and chairmen at 75. Tata Steel's Mr Mody refused to go.

But with Mr JRD Tata's support, Mr Ratan Tata yesterday won the bruising encounter.

TOP TATA COMPANIES			
Figures for year to March 1992 (Rs bn)			
	Sales	Pre-tax profits	Tata Sons % stake
Telco	30.2	2.1	16
Tata Steel	28.8	2.6	8
ACC	14.2	2.1	12
Tata Electrical Cos	13.5	0.5	9
Volvo	6.5	0.2	22
Tata Oil Mills	4.2	0.0	20
Tata Chemicals	3.5	0.9	30
Tata Tea	3.4	0.6	30
Total 46 companies	132.9	9.5	-

Note: Tata Oil Mills sold Apr 1993

Source: Tata Sons

based on high technology. But a proposal for a \$1bn petrochemicals complex at Haldia near Calcutta has been repeatedly delayed and, according to Mr Ratan Tata, is now under review. The group has had its successes notably Titan Watches, a new venture in watchmaking in partnership with Timex of the US. But this is modest compared with projects on the drawing board. The only large project to have gone ahead is the \$1bn modernisation of Tata Steel.

Partly, the group has been held up by red tape. Partly, too, Tata's ageing top executives were less adventurous than some competitors.

Even before he became chairman, Mr Ratan Tata tried to galvanise the group with a series of joint ventures with foreign companies in electronics, oil exploration services and financial services.

Foreign partners include Honeywell, the US electronics group, American Express, the financial services combine, and AT&T. But with turnover of less than 10 per cent of Tata Steel's, and patchy profits, the ventures have yet to make a significant contribution.

This year, the group has launched a joint venture with IBM, to sell the American group's computers in India and to export software. Similarly, in cars, Tata would like a foreign partner for the joint production of passenger cars. The government's decision this month to lift controls on new investment in the auto industry could enable Tata to revive a planned joint venture with Honda of Japan.

Fortunately for Tata and other domestic groups, the government is giving them time to adjust. Import duties will be phased out slowly. And, although the licence-raj is being abolished, foreign companies will still face a hurdle to entering India.

But if Tata is to take advantage of this breathing space, it will need to move faster in the next five years than it has in the last five.



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Norsk Hydro a.s.

(the "Company")

U.S. \$150,000,000

8% Notes 1996

(the "Notes")

Notice is hereby given in accordance with Condition 4(C) of the Notes that the Company has elected to redeem all of the outstanding Notes on May 28, 1993 (the "Redemption Date") at 101%, plus accrued interest, all as more fully provided in the Terms and Conditions applicable to the Notes and the related Paying Agency Agreement. Payment of the Redemption Amount, together with the interest due, will be made on or after the Redemption Date against presentation and surrender of the Notes at the office of the Principal Paying Agent or at any of the Paying Agents listed below. Notes must be presented for payment together with all unexpired Coupons. Notes and Coupons will become void unless presented for payment within periods of 10 years and 5 years respectively from May 28, 1993 as defined in Condition 6 of the Notes.

#### PRINCIPAL PAYING AGENT

The Chase Manhattan Bank, N.A.

Westgate House

Colston Street

London EC2P 2HD

#### PAYING AGENTS

Chase Manhattan Bank

Luxembourg S.A.

5 Rue Flaxland

L-2338, Luxembourg Grand

Banking Luxembourg S.A.

24 Avenue Maréchal

1050 Brussels

For and on behalf of Norsk Hydro a.s.

By: The Chase Manhattan Bank, N.A.

London, Principal Paying Agent

April 20, 1993



Eni International Bank Limited

### NOTICE

TO THE HOLDERS OF

ENI INTERNATIONAL BANK LTD.

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NOTICE IS HEREBY GIVEN in accordance with point 4(b), (Optional Redemption) of the terms and conditions of the above mentioned Bonds, ENI International Bank Ltd. hereby give you irrevocable Notice of Redemption of the Bonds on 21st May 1993 at a price of 105.22 per cent. of the principal amount.

#### FISCAL AGENT

Canadian Imperial Bank of Commerce

Cottons Centre

Cottons Lane

London, SE1 2QL

#### PAYING AGENTS

Morgan Guaranty Trust Company of New York

Avenue des Arts 35

B-1040 Brussels

Belgium

#### Kredietbank S.A.

Luxembourg

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P.O. Box 1108

Luxembourg

Dated April 20, 1993

## Banque ARJIL

7 Rue du Cirque 75008 PARIS

Improved results

The Managing Board of Banque ARJIL met on March 23, 1993, with Mr Christian GIACOMOTTO in the chair, to close the accounts of the year 1992. Meeting on the same day, the Supervisory Board recommended that the Annual Meeting of Shareholders called for May 11, 1992, approve the financial statements.

Despite the depressed state of the economy, Banque ARJIL again registered a high level of business in 1992, achieving a 12.6% rise in commission and fee income. Increased revenue resulting from higher interest rates also boosted the contribution to banking income from money market operations, whilst there was no significant change in the value of bank's equity investments. Finally, since it has no commercial lending activity, Banque ARJIL was not affected by the proliferation of corporate failures in the industrial and real estate sectors.

Net banking income advanced 3.3% to FRF 263 million, against FRF 254.7 million in 1991. After expenses, provisions and corporation tax at similar levels to those of the previous year, net income was up 4.3% at FRF 85 million.

Shareholders will be asked to approve an overall dividend of FRF 35.5 million, representing a net dividend of FRF 5.50 per share, excluding tax credit.

Prior to the distribution of this dividend, the bank's shareholders equity will total FRF 1,070 billion. Its solvency ratio of 24.8% compares with a minimum requirement of 8%.

**NOTICE TO HOLDERS OF THE GUARANTEED FLOATING RATE SUBORDINATED NOTES DUE 1996 (THE "NOTES")**  
ORIGINALLY ISSUED BY MANUFACTURERS HANOVER OVERSEAS CAPITAL CORPORATION (NOW KNOWN AS MANUFACTURERS HANOVER LEASING INTERNATIONAL CORP. (THE "COMPANY")) AND GUARANTEED BY CHEMICAL BANKING CORPORATION (AS LEGAL SUCCESSOR BY MERGER TO MANUFACTURERS HANOVER CORPORATION).

NOTICE IS HEREBY GIVEN that the Company intends to and will redeem on June 1, 1993 (the "Redemption Date") all of the Notes which are outstanding on the Redemption Date at a redemption price equal to 100% of the principal amount thereof together with any accrued and unpaid interest on the Notes to the Redemption Date. Interest upon the Notes shall cease to accrue on and after the Redemption Date.

Payment will be made on or after the Redemption Date upon presentation and surrender of the Notes, together with, in the case of Bearer Notes, all appurtenant coupons maturing on or subsequent to the Redemption Date, at the specified offices of any of the Paying Agents listed below.

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14 Boulevard F.D. Roosevelt

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Chemical Bank

Debt Operations Department

G.P.O. Station, P.O. Box 2862

New York, New York 10116

By Hand:

Chemical Bank

Room 234 North Bldg.

Corporate Towers

55 Water Street

New York, New York



April 20, 1993

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New York, New York 10116

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Corporate Towers

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April 20, 1993

## DIVIDEND NOTICE #13

Agnico-Eagle Mines Limited has raised its annual dividend to 10 cents (U.S.) a share, from 7.5 cents (U.S.), payable May 25, 1993, to shareholders of record April 22, 1993.

Dated this 22nd of April, 1993.

Barry Lander

Secretary

Toronto

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# Bank of France's rate cuts lift European markets

By Sara Webb and Jane Fuller  
in London and Patrick  
Harverson in New York

The decision by the Bank of France to cut its key interest rates yesterday morning provided a welcome boost for many of the European government bond markets.

The French central bank cut its intervention rate from 9.10 per cent to 8.75 per cent and lowered its five to 10-day securities repurchase rate from 10 per cent to 9.75 per cent. The five to 10-day rate, which provides a ceiling rate, was cut by

## GOVERNMENT BONDS

2 percentage points from 12 per cent last week.

French government bonds rallied on expectations of further interest rate cuts. The French franc strengthened against the D-Mark, reflecting the view that lower interest rates will encourage economic growth. The franc moved from 3.3785 to the D-Mark to 3.3766, before ending at around 3.3780.

Short-dated bonds showed the strongest gains on the day, and the one-year yield spread over comparable German government paper fell from 95 basis points to 87 basis points.

The 10-year yield spread slipped from 53 to 52 basis points.

Cash bonds and futures gave up some of their early gains on

profit-taking and the Matif futures contract, which closed on Friday at 118.12, rose to a high of 118.32 before ending the day at around 118.12.

THE French rate cut helped to pull up German government bond prices in early trading, and dealers said the French move had revived hopes of an easing by the Bundesbank.

Bund market participants expect the Bundesbank to lower the rate by a few basis points at this week's repo tender from last week's level of 8.11 per cent, and there are hopes the German central bank may lower its Lombard rate - possibly as early as this Thursday, at the Bundesbank Council meeting.

The Life future contract, which closed at 95.88 on Friday, climbed to a high of 96.45 before dropping back to close at 95.85.

Dealers said investors were

still waiting for further news on the political front, following prime minister Giuliano Amato's offer of resignation.

FRIDAY's adverse reaction to news of rising UK inflation continued to affect early trading in UK government bonds, but the longer end of the gilt market rallied later to close about 1/2 point higher.

Dealers said the disappointment at the RPI figures - up to 1.9 per cent in the year to March from 1.8 per cent in February - had been overdone.

The shorter end of the market remained weak ahead of details, due today, of the next gilt auction on April 28. The market is expecting a further tranche of the 7% per cent bond due 1996. Estimates of the amount to be raised vary from £2bn to £3bn.

The price of the existing bond slipped to 101 1/2. Hopes of a further cut in base rates were checked by comments from Mr Norman Lamont, chancellor of the exchequer,

## FT FIXED INTEREST INDICES

	Year										High *	Low *
	Apr 16	Apr 15	Apr 14	Apr 13	Apr 12	Apr 11	Apr 10	Apr 9	Apr 8	Apr 7	Apr 6	Apr 5
Net Sales (\$M)	90.08	86.95	90.91	97.12	87.50	88.65	96.04	93.26				
Fixed Interest	111.09	112.78	112.98	113.01	112.80	102.60	113.83	102.67				
* For 1993, Government Securities 10/10/93, Real Interest 9/2/93, 12/7/93, 5/1/95, 10/4/96 and 4/18/97												
Fixed Interest here also comprises 113.83 Government Securities, 10/10/93, 5/1/95, 10/4/96 and 4/18/97												
<b>GILT EDGED ACTIVITY</b>												
Indicator*	Apr 16	Apr 15	Apr 14	Apr 13	Apr 12	Apr 11	Apr 10	Apr 9	Apr 8	Apr 7	Apr 6	Apr 5
Fixed Income Margins	110.3	121.4	107.8	105.2	105.2	95.9						
SEC average	106.0	102.0	97.0									
SEC portfolio												



## COMPANY NEWS: UK

Despite signs of recovery no return to profitability is foreseen until 1994

## Ibstock Johnsen £27.6m in the red

By Richard Gourlay

IBSTOCK JOHNSEN, the UK's third largest brick maker, barely broke even in the trading year to last December and said it was unlikely to return to profitability until 1994.

But reinforcing reports that building activity is picking up in the UK, Mr Colin Hope, Ibstock Johnsen's chairman, said demand for bricks had risen sharply in the first three months of the year.

Ibstock Johnsen was reporting operating profits before exceptional items of £382,000, down from £10.1m, on sales down 3 per cent at £277m.

As forewarned, the group made a £28.6m exceptional provision to cover the cost of reorganisation, which will include the closure of four brick plants over the next 15 months. A profit of £10.6m became a loss of £27.6m at the pre-tax level.

Losses per share came out at 9.38p, against earnings of 2.58p last time, and the group has

cut its final dividend to 0.5p (3.75p), giving a total for the year of 1p, down from 6p.

The brick industry had become only marginally profitable, according to Mr Ian Maclellan, managing director. The group would this year be focusing on generating cash by deskilling, selling surplus assets and cutting capital expenditure.

"The provisions will be sufficient to get our businesses in the US and the UK back to a profitable position but we are, to some extent, delving in the unknown," said Mr Hope. He said there would be little benefit until 1994.

Trading in UK building products was hardest hit, with profits of £9.79m falling to £2.74m. In the US, a £883,000 loss grew to £1.84m and in continental Europe profits slipped from £2.41m to £2.12m.

The forest product trading loss also increased from £1.38m to £2.83m. Mr Hope said that at "current world prices, the business is unlikely

to be profitable in the short term".

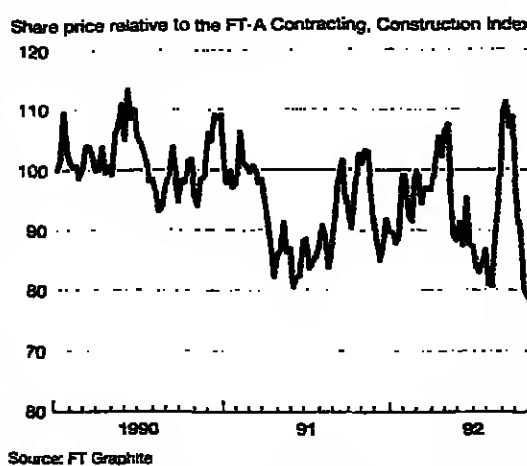
The chairman said he was confident of the economic recovery in the UK but was less sure of the return to growth in the US.

At the end of December, net debt rose to £45m and gearing climbed to 19 per cent - after a £15m write-down in the value of reserves to take account of the reduced value of clay reserves which will no longer be exploited after the imminent closures.

## COMMENT

If recent estimates of the speed of recovery in house building are to be believed, six months' supply of bricks held in the UK could already be falling. Taken with the lower depreciation charge, after yesterday's asset write-downs, profits should start to come back for the first time this year even if brick makers are not able to make price rises stick with the housebuilders. But Ibstock Johnsen has badly underper-

## Ibstock Johnsen



formed the sector because of recession in another of its markets - pulp. For that market to turn, further capacity will need to go, and that will take time. However, one advantage of recessions in each of its markets - house building, bricks

and pulp - is that the bounce, when it comes, could be sharp. Investors should not, however, hold their breath. This year profits should be only marginally higher. In 1994, however, pre-tax profits could jump to £5.8m, or 2.8p of earnings.

## Babcock loses chief in strategy disagreement

By Andrew Bolger

BABCOCK International yesterday said that Mr Oliver Whitehead is to leave his post as chief executive of the engineering group after disagreeing with the board over strategy.

Alfred McAlpine, the construction group, declined to confirm that Mr Whitehead would become its next chief executive, but said a statement would be made later in the week.

Babcock cut its interim dividend in October and warned that difficult trading conditions in all the group's markets would depress future profits. Babcock shares yesterday closed 37p lower at 577p, well below last year's peak of 639p.

Mr Whitehead, who was appointed chief executive in 1988, at the time of the merger of Babcock from FKI Babcock, earned £322,434 in the year to March 31 1992. The group said terms had been agreed for the early termination of his contract, which entitled him to three years' notice.

Babcock said: "Mr Whitehead has made a valuable contribution to Babcock since its listing as a separate company, but in considering the future strategy of the group the board has recently concluded that the Babcock Group requires new direction."

The group said it was currently in talks with a potential successor and an announcement would be made as soon as the appointment was confirmed. Until then, Mr Jeff Whalley, Babcock's deputy chairman, who is also chairman of FKI, will be acting chief executive.

Mr Whalley denied there had been a row between Mr Whitehead and Lord King, Babcock's chairman, and the rest of the board. He said: "There was no row - I hope we're all civilised fellows. Oliver wanted to



Lord King: row with Oliver Whitehead denied

go one way, but there were a number of projects which the board had difficulty with."

Although Mr Whitehead was responsible for moving Babcock into areas such as water treatment and materials handling, the disagreement is not believed to have concerned the diversification moves made to date.

There was, however, considerable concern when Babcock Energy, the group's power plant division, revealed a 55m provision for costs arising from difficulties at a combined-cycle power station at Killingholme in Humberside.

The delay before these problems were identified is likely to lead to further changes at middle-management level. A new chief executive will also be charged with giving greater priority to finding a strategic partner for Babcock in the

power plant area, where the group competes with some of the world's biggest contract engineering groups.

Mr Whalley, who was asked by Lord King to strengthen the board, said he hoped to name a new non-executive director, who was a knowledgeable industrial contractor, within four or five weeks. In January the group appointed as a non-executive director Mr Alan Wheatley, who resigned recently as chairman of 3i, the venture capital group.

Babcock will report its results for the year to March 31 in May. The board said it expected trading to be broadly in line with the indications given at the time of the October profit warning. Pamure Gordon, the house broker, is forecasting pre-tax profits of £33m, compared with £50.1m last time.

## Regalian confidence after sales

By Vanessa Houlder, Property Correspondent

REGALIAN Properties yesterday told shareholders it had agreed the sale of eight flats in its Kensington Palace Gardens development, its ambitious residential project that has been on the market for the last two years.

Sale prices of the flats were not disclosed, but analysts believed they were equivalent to a reduction in the building's value from an initial asking

price of £117m two years ago to about £45m.

The flats are being bought by Hong Kong and Middle Eastern clients, who were encouraged to purchase in the UK by the devaluation of sterling.

Mr David Goldstone, chairman of Regalian, said there was substantial interest in the other 12 apartments in the block. Sales of the remaining residential portfolio continued to be buoyant, he said.

"It is confidently expected that in respect of both the Ken-

sington Palace Gardens project and the Central London portfolio, the majority of remaining units will be disposed of within the current financial year."

Regalian's banks have agreed in principle to extend its facilities until December 1994. The company said that its improved cashflow resulting from property sales would give it the opportunities to buy development sites on attractive terms.

The shares price rose from 15½p to 19p.

## NHL wins approval for Eurobond repayment

By Tracy Corrigan

NATIONAL Home Loans, the mortgage lender, yesterday won approval at a bondholders meeting to repay a £150m (£161m) Eurobond issue on schedule in June.

The agreement means that NHL will face no debt repayment obligations until November 1995, according to Mr Nigel Terrington, the group's finance director.

Earlier this year, NHL had abandoned plans to reschedule the D-Mark Eurobond. But in order to redeem the bonds at maturity, NHL had to gain the approval of its dollar bond holders, whose bonds were restructured along with NHL's bank debt last year, in order to extend their maturity to

December 1995. The company has a second D-Mark Eurobond outstanding, which falls due in November 1993.

NHL was rescued by its banks from collapse last year, and is now paying interest of 200 basis points over Libor (the London interbank offered rate) on its £400m of bank debt, compared with 30 basis points over Libor, prior to the restructuring. It is also paying 200 basis points over dollar Libor on its rescheduled dollar bonds.

Since last year, NHL has been running down its mortgage business and concentrating on repaying its debt. It now has a mortgage book of £225m, after removing more than £25m of mortgages from its balance sheet through securitisation.

## BOARD MEETINGS

The following companies have notified shareholders of board meetings for the year ending 1993. Shareholders are advised to check the company's annual report for details of the meeting and to attend if possible. The dates and times of the meetings are given in the table below.

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## Rentokil makes £1.75m acquisition

RENTOKIL has acquired the facilities maintenance division of John Lelliott, the building company which is in receivership, for a maximum £1.75m cash.

In the year to June 30 1992 the business had turnover of £6.49m and profits of £40,000.

Hillsdown sale

FMC, a subsidiary of Hillsdown Holdings, has sold its abattoir at Bromsgrove to management for £2.5m. Bromsgrove processes some 4,000 lambs and 800 cattle per week.

## Pay rise for Simon chief

By Angus Foster

SIMON Engineering, which last year reported its second successive year of falling profits and cut its dividend, awarded its chief executive Mr Brian Kemp a 7 per cent pay rise.

According to the company's annual report, released yesterday, Mr Kemp's emoluments excluding pension contributions increased nearly £11,000

to £167,265 in the year to December 31.

During the same period, Simon's pre-tax profits fell from £18.3m to £5.5m, earnings fell from 12.5p to 2.6p and dividends fell from 15.7p to 5p.

Mr Kemp, 49, has a service contract with a three-year notice period.

In the annual review the company said that 1,000 people had been made redundant in the last year.

By Angus Foster

WASTE MANAGEMENT International, the UK-listed overseas arm of Waste Management of the US, yesterday reported first quarter profits in line with expectations and said it was continuing to benefit from acquisitions and internal growth.

Pre-tax profits increased 26 per cent to £34.4m in the three months to March 31 on turnover 19 per cent higher at £220.5m. Most of the increase

in sales was due to acquisitions, although there were also gains due to price increases and foreign exchange swings.

Europe remained the company's most important market, accounting for 82 per cent of sales compared to 77 per cent last year. Asia continued to grow in importance, accounting for 10 per cent of sales. The company is involved in or studying projects in Hong Kong, Indonesia and Malaysia.

Its hazardous waste treatment plant in Hong Kong is due to begin commercial operations in the next few days. The company has also submitted four proposals for waste energy plants in Taiwan.

Earnings increased 19.6 per cent to 6.1p. That fell in the middle of forecasts issued last week by the company following concerns, mainly in the US, that profits were below expectations. The company does not pay dividends.

The shares, which were listed last year at 535p, gained 1p to 544p.

## Waste Management up 26%

## Extracts from the Chairman's Statement in the 1992 Annual Report

J. R. Glen, C.A., Chairman

After six years as Chairman of the Board of Directors, I shall be stepping down from that position after the Annual General Meeting and it will be passing into the capable hands of Mr William Berry, Deputy Chairman.

**Financial Services Act** Many of us in the life assurance industry are becoming increasingly disturbed by the negative attitude to the industry in the reporting of financial commentators.

Much of the adverse press comment has been generated since the introduction of the Financial Services Act, particularly with regard to the retailing of personal investment products.

The problem cases are small as a proportion of total sales and I challenge commentators to identify another sector of the private financial services industry which offers greater security to ordinary investors.

**New Business** It is pleasing to report that in spite of the continued recession, 1992 has produced the best new business result over for the Company, with aggregate Annual and Single Premiums totalling £342m an increase of 74% over 1991.

Once again our success is largely due to achieving real new business growth in Pensions related business. I am confident that we are well positioned to record further growth next year.

**Investment** 1992 was a rollercoaster year in UK stockmarkets. While recovery in the domestic economy proved elusive, there was no shortage of news to stimulate substantial changes in market values. We look forward to further attractive investment opportunities in 1993.

**Bonuses** I have referred in the past to the need to maintain a balance between guaranteed bonuses and freedom to invest in the best interest of policyholders. We have made reductions in our rates of bonus, however we remain in a very competitive position as far as maturing contracts are concerned and I am confident that these adjustments will allow us to optimise future returns for policyholders.

Issued by the Scottish Life Assurance Company, Head Office: 19 St. Andrews Square, Edinburgh EH2 1YE.

## CHAIRMAN'S STATEMENT

Scottish Life  
THE LIFE TO LEAD

## Appointments Advertising

appears every  
Wednesday &  
Thursday  
Friday  
(International edition only)

**£200,000,000**  
**MFC Finance No.1 PLC**  
Mortgage Backed Floating Rate Notes Due October 2023  
In accordance with the Terms and Conditions of the Notes, notices are hereby given that the new interest rates and periods in respect of the subject Notes are as follows:-

Payment Date	Rate %	Payment Date	Rate %
Series A 1 April to May 93	6.25%	Series D 8 April to May 93	6.125%
Series B 2 April to May 93	6.375%	Series E 14 April to May 93	6.250%
Series C 7 April to May 93	6.500%	Series F 15 April to May 93	6.375%

By: Citibank, N.A. (Issuer Services)  
April 20, 1993

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## Telefonaktiebolaget L M Ericsson

(L M Ericsson Telephone Company)

The Annual General Meeting of the Company will be held at the Victoria Hall, the Stockholm Fair at 5.00 p.m. on Tuesday May 11, 1993.

The following items will be on the Agenda of the meeting:

1. To present the Annual Report and the Auditors' Report
2. To present the Consolidated Accounts and the Auditors' Report on the Group
3. To approve the Profit and Loss Statement and the Balance Sheet
4. To approve the Consolidated Profit and Loss Statement and the Consolidated Balance Sheet for the Group
5. To discharge the members of the Board of Directors and the Managing Director from liability
6. To determine the appropriation of the profits, provided the balance sheet is approved
7. To fix the record day for payment of the dividend declared
8. To determine the remuneration payable to the members of the Board of Directors and to the Auditors
9. To elect members of the Board of Directors and deputy members
10. To elect Auditors and deputy Auditors
11. To approve the Board of Directors resolution of March 26, 1993, that the company shall raise a subordinated debentures loan by issue of convertible subordinated debentures ("convertibles") with a maximum nominal value of 2,171,719,670 Swedish kronor
12. To approve the Board of Directors proposal to change the company's Articles of Association
13. Any other matter which according to the Company's Act and to the Articles of Association shall be dealt with at the meeting.

Shareholders intending to participate in the Annual General Meeting shall give notice of attendance to the Head Quarters of the company, Corporate Legal Affairs, S-126 25 Stockholm, tel. nos: +46 (0)8 719 3444 or 719 4498 between 10.00 a.m. and 4.00 p.m. daily, not later than on May 6, 1993, at 4.00 p.m.

In addition to the above requirements, shareholders intending to participate in the Annual General Meeting must be entered in the share register kept by Værdpapircentralen VPC AB (Swedish Securities Register Centre) not later than on April 30, 1993.

Shareholders, whose shares are registered in the name of an agent, must temporarily be entered into the share register in order to be entitled to participate in the Meeting. The shareholder is requested to inform the agent in due time before Friday April 30, 1993, when such registration must have been made.

In order to participate in and to vote as proxy on behalf of a Shareholder at the Meeting a power of attorney must be presented.

The resolution of the Board of Directors subject to the approval of the Annual General Meeting of Shareholders to issue convertible debentures and to propose changes of the company's Articles of Association are available at the company's headquarters as from April 30, 1993, S-126 25 Stockholm.

The Board of Directors has proposed May 14, 1993, as the record day for payment of dividends. Provided this proposal is approved, the dividend is expected to be dispatched by Værdpapircentralen VPC AB on May 24, 1993.

April 1993

The Board of Directors.

**Market Myths and Duff Forecasts for 1993**  
Corporate profits will soar, bonds have had their day, the US dollar is in a bull market. You did NOT read that in FullerMoney.  
The iconoclastic investment letter.  
Call Jane Farquharson for a sample issue (once only)  
Tel London 71-439 4961 (071 in UK) or Fax 71-439 4966

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The NEW Futures Page now updates even more Currencies, Indices, Futures and



chief in  
reeminent

# Pinning its future on launching trusts

The refocused Ivory & Sime is planning to reassert itself, reports Norma Cohen

THE past 10 years have not been easy for Ivory & Sime, the Edinburgh-based fund management company whose star was once among the brightest in the investment firmament.

But now the company is moving to reassert itself in the product which has been at the heart of its success, the investment trust.

Yesterday, Ivory & Sime launched its first investment trust in four years after having remained in the background while competitor after competitor came to the market with increasingly sophisticated products.

The trust, to be known as Income and Savings Investment Schemes, is expected to raise £100m in new funds, and features an investment twist which allows investors to capitalise on the more generous treatment of capital gains tax.

Mr Gordon Neilly, finance director, said the company intends to launch as many as four more trusts, one possibly as early as June, all of which will be aimed at private investors rather than institutional clients.

"We see the return of the private investor as crucial to our strategy," said Mr Neilly, adding that he wants to increase the percentage of retail investment trust business from its current level of 30 per cent.

Competition for institutional buyers of investment trusts has become much tougher since many fund managers began running their own internal products. Mr Neilly said, explaining why he wished to change the company's focus. Other products are also likely to offer tax efficiency as a selling point.

Mr Neilly said the company has sat on the sidelines for so long "because we felt the time wasn't right and we didn't have the right product".

But pension consultants say the company has also been too preoccupied with its internal difficulties to concentrate on new product development or marketing.

"Ten years ago, they were winning half of all the assignments out there," said one pension fund consultant. But a string of well-publicised defections of senior management - who in the mid-1980s managed to take many of the company's best clients with them - had left the firm floundering.

Investment performance suffered, and pension fund clients in particular deserted it, consultants said. The firm soldiered on through some tough years before refocusing its institutional business and sharpening its expertise as an equities-oriented specialist pension fund manager.

By 1990, when Ivory & Sime had begun to recover in the performance league tables and had set about assembling a high-quality investment team, it was hit again by defections.

This time the former managing director, Mr David Ross, left with a string of five senior executives to set up a new firm, Aberforth Partners. The former chairman left as a result, and the company now has a completely new board of directors.

Although the more recent defections did not appear to affect fund performance - consultants say their specialist funds have achieved top half performance over the past three or four years - new pension clients have not been knocking at the door. "All of our new business has been from existing clients," Mr Neilly said.

In addition to broadening its product range, Ivory & Sime has taken the unusual step of acquiring a telemarketing distribution company.

The company answers inquiries from potential clients who have responded to the company's targeted newspaper advertising campaign.

Mr Neilly said he believes that up to 25 per cent of all sales of Ivory & Sime's new ISIS product will come through the distribution company, saving considerable costs.

Ivory & Sime, according to one pension consultant, is living proof of the axiom that no one investment star is likely to shine in the firmament indefinitely. The question for the company is whether it can make its star shine once again.

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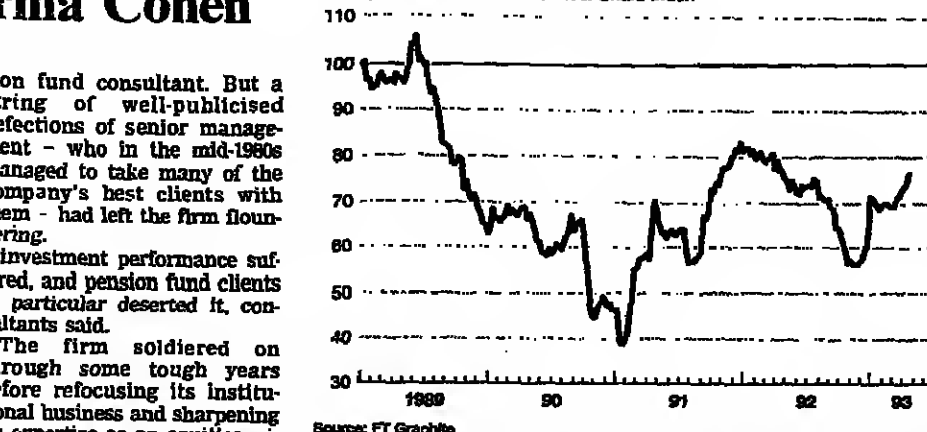
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Losses per share came to 2.04p (0.8p).

On a brighter note, he said

## Ivory & Sime

Share price relative to the FT-A All-Share Index



Source: FT Graphite

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# Asda Property soars 36 per cent to £6m

ASDA Property Holdings has more than lived up to expectations with pre-tax profits showing a gain of 36 per cent for 1992 at £6.02m, compared with halved profits at the interim stage.

During the year the sale of the greater part of its tenanted residential portfolio for £36m was completed, with a high proportion of it low income or non-income producing.

This represented only slightly more than half of the total sales achieved during the year of some £70m; the net result at the year end was a reduction from £17.7m to £6.7m in net debt.

Rental income showed marginally ahead at £11.2m, with other sales and additions the rent roll is now almost £13m which covers current interest and overheads more than 1.4 times.

The impact on profit of the extraordinary level of sales was largely offset by property write-downs amounting to £1.8m and costs of £1.1m

incurred in unwinding interest rate hedging against borrowings repaid.

Financing charges showed a drop from £12.9m to £10.7m. Mr Manny Davidson, chairman, told shareholders of progress on several fronts including commercial property, the investment portfolio and development projects.

He also said that the group had been able to generate trading profits of over £1m from new commercial ventures. The division was continuing the contribution to profits in the current year.

He reported that investment acquisitions since the year end had been made totalling £12m with a combined yield of 13 per cent. All were modern properties let on long leases to a mix of good tenants and had potential for capital appreciation through active management.

Earnings worked through at 8.1p (5.4p), and the dividend total goes up to 2.1p (2p) with a final of 1.45p.

# Scottish Metropolitan back in the black with £0.5m

Substantial reductions in administrative and interest costs enabled Scottish Metropolitan Property to return a pre-tax profit of £532,000 for the half year ended February 1993.

That compared with a losses of £240,000 for the corresponding period which were reduced to £490,000 by the year-end.

Net revenue from properties was marginally reduced to £3.96m compared with £10.6m. The programme of sales remained ahead of schedule. Eight investment properties were sold realising £16.3m and showing in aggregate a 9.7 per cent reduction on book value. Major sales included Pentland House, Edinburgh and a unit on the

Longfield Industrial Estate, Tunbridge Wells. Since the half year further disposals realised £7.15m.

Total borrowings were down to £157.6m and at April 15 had further been cut to £150m. The company has negotiated extensions until October 31 1995 of banking facilities. The total facilities, prior to final repayment, are to reduce in tranches to £64.7m; outstanding borrowings under those facilities at April 15 were £36m.

Earnings per share in the half year came to 0.43p (losses 1.38p). The interim dividend is cut to 0.5p but it is intended to maintain 1.5p for the year.

On a brighter note, he said

rental income now exceeded all interest and other outgoings; in the half year the surplus, with other income, was £50,000 against a deficit of £578,000.

Apart from rising rents and diminishing voids, the improved performance reflected lower borrowings following the sale of the Hanley property and strict control of overheads.

Losses per share came to 2.04p (0.8p).

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# Five Oaks hit by £1m write-down

AFTER providing £1m further write-down in investment and development properties, Five Oaks Investment saw its pre-tax losses increase from £371,000 to £953,000 in the six months ended December 31 1992.

Although the company felt the property market was bottoming out it was thought prudent to provide write-down, explained Mr Trevor Robinson, chairman.

On a brighter note, he said

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# Securities Trust of Scotland lifts net asset value by 20.5%

Net asset value of Securities Trust of Scotland increased by 20.5 per cent to 84.5p over the year to March 31.

Net revenue after tax for the year rose marginally from £9.69m to £9.78m.

Earnings were just a shade better at 3.03p (3p) a share and the dividend total is held at 3.25p with a final of 2.17p.

On a brighter note, he said

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## BULGARIA

The FT proposes to publish this survey on May 5 1993

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FT SURVEYS

**GROUPE SUEZ ANNOUNCES DEFINITIVE RESULTS FOR 1992**

Meeting on April 13, 1993 under the chairmanship of Mr. Gérard Worms, the Board of Directors of Compagnie de Suez approved parent company and consolidated financial statements for the year ended December 31, 1992.

(in FRF millions)	1992	1991
Net income from ordinary operations	1,434	1,287
Net income (loss) from transactions on securities	(235)	1,603
Total net income	1,199	2,890

The net loss on securities transactions stemmed from reduced capital gains on asset sales and from provisions on investments in companies adversely affected by economic conditions.

(in FRF billions)	1992	1991
Total assets	803	803
Total shareholders' equity (including minority interests)	83	84
Shareholder's equity (Suez share)	46	48

	1992	1991
Net operating income (loss)	(610)	5,071
Net non-operating income	1,642	2,157
Income of companies accounted for by the equity method	250	1,875
Net income (loss) before minority interests	(201)	6,704
Net income (loss) (Suez share)	(1,869)	3,836

In line with estimates published in early March, the definitive results reflect Group banks' provisions for loans to the real estate industry, as well as the impact of losses at Baltica, themselves related to the real estate slump in Europe.

**CREDISUEZ: RESTRUCTURING TAKES EFFECT**

The Board approved the transactions that effectively transformed Credisuez into a highly capitalized banking and real estate business unit.

The new Credisuez, comprising Banque La Hénin, Compagnie Foncière Internationale and ISM, will have overall equity capital in excess of FRF 8 billion, including FRF 6 billion in tier-one funds. Its capital adequacy ratio will be approximately 15 %, including 11 % in tier-one equity.

**APPROVAL OF THE 1993 PLAN OF ACTION**

The Board approved the Group's broad orientation for 1993, confirming the priority given over the past two years to enhancing the competitiveness of Suez companies, refocusing the Group's activities, selectively expanding in the field of financial services and exploiting synergies between the various businesses.

**DIVIDEND MAINTAINED AT FRF 8.20 (FRF 12.30 including tax credit)**

In light of this plan of action and the Group's financial soundness, the Board of Directors decided to propose that the Annual Shareholders' Meeting, to be held on June 16, declare the same dividend as last year. The Board will also propose that shareholders be given the option to reinvest their dividends. Ex-dividend date will be June 29, 1993.

April 13, 1993

**1992 GROUP RESULTS AND NEW ORGANIZATION**

At its meeting of April 14, 1993, the Board of Directors of Lyonnaise des Eaux-Dumex, chaired by Jérôme Morot, closed the parent company and consolidated financial accounts for 1992. During the meeting, the Chairman reiterated the Group's strategic orientations: concentration on its core activities in two sectors and an international development. He presented the new management structure of the Lyonnaise des Eaux-Dumex group which will enable tighter control of Group companies and facilitate the Group's development in the construction and environment markets.

**1992 RESULTS**

In 1992, the economic environment weakened in France and in some of the countries where the Group operates. This stagnation intensified the difficulties experienced in the property development sector and, to a lesser extent, construction.

Despite this difficult economic climate, which deteriorated even further towards the end of 1992, net operating income (FF 2.1 billion) and cash flow (FF 5.3 billion) remained stable compared to 1991 levels. However, due to significant provisions, Group share of consolidated net income declined to FF 579 million. The dividend per share to be proposed at the next Annual General Meeting will be maintained at the 1991 level of FF 15 (including tax credit).

**REVENUES**

Group consolidated revenues increased by 3.3% to FF 90.4 billion, including 4.3% generated outside France. At constant structures and exchange rates, this increase was 5.8%.

(FF billions)	1992	1991
Services	32.9	28.9
Construction	45.8	45.1
Property development, distribution and other	11.6	13.5
Total	90.4	87.5

Services recorded strong progress (+13.8%), reflecting growth in water supply activities and in companies such as Degremont, Sita and Uirner-Colfret. 1992 also saw international successes in the water supply sector with new contracts in Buenos Aires, Sydney and Rostock. Revenues from construction activities advanced slightly, due mainly to good performances from European subsidiaries.

A downturn was experienced in only two sectors: property development, as a result of the acute crisis which continued to deteriorate, and distribution (United Westbume), which was hampered by sluggish economic conditions in North America and by adverse currency rates.

**CONSOLIDATED INCOME STATEMENT**

(FF millions)	1992	1991
Revenues	90,359	87,485
Operating income	2,690	2,597
Net operating income	2,102	2,091
Non-recurring items	(1,981)	428
Net income before amortization of goodwill	1,204	1,765
Net income	823	1,464
of which Group share	579	1,168

A stringent provisions policy was adopted in light of difficulties experienced in certain sectors and to prepare the Group for the future. This increase in the level of provisions (FF 2.4 billion compared to FF 1.8 billion in 1991) is largely due to the following factors:

- the property development sector, where, in the case of current inventories, provisions cover the difference between the market price and the total cost at the projected closing date;
- losses recognized on completion of certain worksites;
- restructuring costs;
- various sector-related risks.

However, good performances by most of the Group's divisions resulted in operating income of FF 2.1 billion, virtually unchanged from the previous year.

In addition, capital gains on the disposal of assets (investment securities and non-strategic activities) of approximately FF 1.0 billion offset part of the non-recurring items.

In total, Group share of net consolidated income amounted to FF 579 million, compared to FF 1,168 million in 1991 (after amortization of goodwill of FF 581 million in 1992 and FF 501 million in 1991).

**BREAKDOWN BY SECTOR**

	1992		1991	
(FF millions)	Net income	Cash flow	Net income	Cash flow
Services	1,646	3,624	1,782	3,200
Construction	(461)	1,714	(276)	2,098
Property development, distribution and other	(805)	(211)	(357)	(2)
Total	579	5,107	1,168	5,296

**SOURCES AND APPLICATIONS OF FUNDS (FF billions)**

APPLICATIONS		SOURCES	
Investments in fixed assets	5.9	Cash flow	5.2
Financial investments	4.0	Disposal of assets	2.8
Dividends	4.0	Capital increases	0.4
Change in consolidation and other	0.8	Net change in long-term borrowings	(0.5)
Net change in working capital requirements	(1.0)	Net change in minority interests	2.3
Total	10.2	Total	10.2

Cash flow remained stable at a high level: FF 5.2 billion, compared to FF 5.3 billion in 1991.

Investments in fixed assets continued to grow (up 23% to FF 5.9 billion compared to 1991), primarily in the services sector and, more particularly, for concessionary activities. Financial investments, however, fell by 15% to FF 4.0 billion compared to 1991. These investments were financed by cash flow (FF 5.2 billion), disposal of assets (FF 2.8 billion) and equity capital from minority interests (FF 2.3 billion).

**BALANCE SHEET (FF billions)**

ASSETS		SHAREHOLDERS' EQUITY & LIABILITIES	
Fixed assets	58.9	Shareholders' equity	20.7
Current assets	65.7	Accounts related to concession assets	16.7
Cash and equivalents	12	Provisions for risks and future expenses	13.0
		Long-term financial debt	17.1
		Other debt	62.1
Total	124.6	Total	124.6







include  
structure

*Number 1 in institutional  
banking.*

*Number 1 in mortgage and  
long term financing.*

*Number 1 in government  
bond trading and trade  
finance.*

*In 1991, Spain's main State-owned  
banks and financial institutions were  
brought together to form Argentaria.*

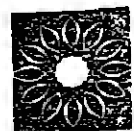
*They also formed one of the lowest  
operational cost-structures of any  
Spanish bank.*

*And created the opportunity to push  
the cost ratio still lower through  
economies of scale and scope.*

*In 1992, operating income increased  
by 24.6%, pre-tax profit grew by  
25.5%, net income after minorities  
rose by 18.2%, and the group's cost:  
income ratio fell from 55% to 53%.*

*While, with the potential development  
of a single group-wide information  
technology system and database,  
operating efficiency and cross-selling  
opportunities can be driven further.*

*That's Argentaria. A bank of today  
designed for tomorrow.*



**ARGENTARIA**

*Corporación Bancaria de España*

**BANKING ON STRENGTH**







## FT-SE    Am. and State Indices    DOW JONES    NIKKEI SERIES

FT-SE    Am. and State Indices    DOW JONES    NIKKEI SERIES

	307.74% +2.1					1269.77 +1.30				
	Day's Apr 9	Apr 10	Apr 11	Apr 12	Apr 13	Year Apr 14	Earnings Apr 15	Dividend Apr 16	P/E Ratio	Yld Apr 17
FT-SE 100	2080.0	+0.2	2024.4	2028.7	2042.1	2038.6	8.43	4.08	18.80	36
FT-SE Mid 250	3074.4	-0.1	3027.3	3068.9	3065.7	3048.6	6.84	3.78	17.01	17
FT-SE SMI 250	1402.4	+0.2	1402.4	1402.4	1402.4	1402.4	6.84	3.78	17.01	17
FT-SE SmallCap	1546.18	-	1545.01	1547.94	1548.76	-	4.92	3.96	29.07	21
FT-SE SmallCap ex Int'l Tech	1552.03	-	1551.06	1552.73	1552.70	-	5.47	3.91	25.84	16
FT-SE ALL-SHARE	1387.43	-0.1	1386.07	1392.08	1393.48	1398.47	6.40	3.96	16.97	17

1 CAPITAL GOODS(218)	145.24	-0.1	955.52	956.37	954.03	893.65	5.62	4.30	23.35	13
2 Building Materials(27)	989.03	-0.6	994.32	997.39	978.88	1073.94	5.24	4.2	20.06	19
3 Constructn Construction(28)	866.49	-0.3	889.54	887.20	875.28	950.34	2.94	3.74	87.07	9
4 Chemicals(25)	181.24	-1.8	207.22	207.94	207.94	194.14	5.59	1.56	2.54	16
5 Electronics(27)	2844.97	-0.8	2665.37	2662.70	2638.44	1891.77	5.99	3.02	21.17	18
6 Engineering-Aerospace(2)	347.06	+1.8	341.55	342.32	340.97	362.51	5.90	1.12	22.48	3
7 Engineering-General(51)	546.62	-0.4	548.83	550.15	552.46	525.46	7.10	5.87	17.95	17
8 Metals & Metal Products(4)	404.13	+0.4	402.52	394.58	384.60	330.00	4.30	3.74	33.86	6
9 Miscellaneous(2)	306.29	-0.3	306.29	306.29	306.29	306.29	5.33	5.84	3.93	2
10 Other Industrials(8)	2079.56	+0.4	2066.97	2078.43	2080.42	1755.42	5.71	1.96	21.91	36
11 CONSUMER GOODS(218)	1625.56	-0.2	1632.24	1640.63	1636.66	1711.96	7.09	3.47	17.56	17
12 Brewers and Distillers(2)	1930.81	-0.7	1943.92	1952.20	1952.20	2129.51	6.34	3.34	14.68	20
13 Food Manufacturing(23)	1384.85	-0.7	1372.12	1382.12	1379.79	1379.82	7.47	3.71	16.63	21
14 Household Appliances(1)	100.00	-0.5	99.99	99.99	99.99	99.99	5.99	5.99	0.00	1
15 Health & Household(22)	3321.21	-0.8	3303.87	3311.37	3280.37	4333.94	6.85	3.40	16.81	22
16 Hats and Linens(27)	1239.18	-2.5	1301.34	1295.69	1230.12	1406.55	6.35	4.87	25.01	23
17 Medic(3)	1882.48	-0.3	1887.57	1889.28	1903.04	1807.12	5.35	2.72	23.04	4
18 Packaging and Paper(24)	553.57	-	553.16	548.29	548.29	75.88	6.26	2.42	19.87	22
19 Textiles(17)	1132.77	-1.1	1143.25	1109.47	1109.47	1109.47	6.33	2.92	15.16	18
20 Textiles(3)	805.82	-0.4	802.20	798.42	798.42	732.47	6.32	3.90	13.02	10
21 OTHER GROUPS(42)	1479.97	+0.5	1472.11	1468.82	1464.62	1250.43	8.29	4.24	18.16	16
41 Business Services(27)	1618.09	-0.3	1614.00	1624.13	1617.30	1406.55	5.53	1.66	22.21	23
42 Chemicals(2)	1472.22	-	1471.20	1484.08	1484.08	1551.78	6.12	4.68	20.62	2
43 Computers(11)	1472.22	-	1471.20	1484.08	1484.08	1551.78	6.12	4.68	20.62	11
44 Transport(18)	2640.72	-0.4	2652.94	2672.50	2652.94	2570.64	7.65	3.95	15.16	18
45 Electricity(16)	1734.54	+0.8	1703.76	1713.76	1729.06	1365.64	12.48	4.51	16.29	28
46 Telephone Networks(4)	1729.89	+1.3	1701.78	1736.18	1757.21	1428.87	7.84	3.72	10.76	4
47 Metals(13)	3473.84	+0.1	3476.78	3505.48	3509.22	2745.82	12.98	4.76	8.55	11
48 Miscellaneous(1)	100.00	+0.6	100.00	100.00	100.00	100.00	6.00	6.00	0.00	1
49 MISCELLANEOUS GROUP(29)	1422.22	-0.1	1400.82	1429.34	1429.34	1336.39	7.22	3.85	19.29	29
51 Oil & Gas(1)	2462.01	+0.1	2464.72	2458.19	2450.72	2104.08	6.07	4.70	20.51	1
59 "00" SHARE INDEX(29)	1913.84	-0.1	1912.68	1920.60	1920.59	1436.70	7.10	3.94	17.63	29
61 FINANCIAL GROUP(29)	1500.40	-0.3	957.33	969.30	959.59	796.50	3.35	4.27	52.73	18
62 Insurance(1)	735.76	-0.7	1344.18	1340.78	1349.32	919.24	4.75	2.58	30.89	25
66 Insurance (Life)(8)	2026.24	-0.3	2020.20	2032.39	2051.21	1528.39	2.51	4.04	86.51	47
68 Insurance (Comp)(7)	649.01	-0.4	651.40	659.87	663.40	94.95	3	4.76	1	7
69 Insurance Broker(1)	757.92	-1.3	779.17	784.34	777.98	946.99	7.48	5.10	16.00	11
70 Insurance (Other)(1)	641.29	-0.7	641.29	641.29	641.29	641.29	7.48	4.95	11.29	1
69 Property(2)	781.01	-0.1	782.14	782.53	785.78	655.70	6.91	5.05	22.23	4
70 Other Financial(2)	353.78	-	358.85	363.34	362.35	245.78	6.51	6.83	21.77	3
71 Investment Trusts(108)	1446.63	-0.1	1448.34	1452.25	1450.13	1212.79	2.28	2.82	43.49	108
59 FT-A-ALL-SHAREINDEX	1387.43	-0.1	1366.07	1392.08	1393.49	1268.72	6.40	3.96	15.97	17

Hourly movements											High/Low	Low/high
	Open	8:00	10:00	11:00	12:00	13:00	14:00	15:00	16:10			
FI-FSE 100	2622.8	2631.1	2638.3	2642.8	2643.3	2649.2	2636.7	2627.1	2629.9	2644.2	2622.8	
FI-FSE 100 250	3031.2	3061.2	3099.6	3073.0	3074.9	3074.5	3074.1	3074.9	3074.2	3075.7	3069.9	
FI-FSE-A 300	1260.3	1402.7	1406.1	1406.2	1408.6	1407.3	1405.9	1406.2	1403.3	1409.8	1398.3	
Time of FI-FSE 100 High 11:26 ; low 08:20												

Industry	1990	9.80	10.00	11.00	12.00	13.00	14.00	15.00	16.16	Close	Previous Close	% Change
Construction	1740.5	1740.5	1743.9	1743.2	1742.2	1742.2	1735.1	1735.7	1737.9	1737.0	1746.4	-0.4
Health & H	961.8	961.5	967.9	957.5	959.5	968.2	983.6	988.9	997.2	998.3	990.1	+0.4
Utilities	1477.6	1465.5	1492.9	1437.4	1435.5	1434.8	1435.2	1434.3	1434.6	1434.6	1420.2	+11.2

[illegible]

US interest in Fyffes, Surprise Sunday newspaper stories that Saatchi & Saatchi was poised to bid for Lord Stevens' United Newspapers were dismissed. One analyst said a company with enough problems of its own hiding for a group that had twice its capitalised value would be "right in the middle of lunacy." The right United shares, by 7 to 580p, was generally attributed to broker enthusiasm while Saatchi's gain of a penny to 172p suggested that, even without United's denial of the story, the market gave it little cred-

	1989	1990	1991
Other market statistics,			
Page 23			

	1989	1990	1991
Other market statistics,			
Page 23			

[illegible]

Messrs. shareholders are hereby convened  
 will be held on 27th April, 1993 at 03.00.  
 agenda:  
 • Submission of the reports of the  
 Independent Auditor;  
 • Approval of the balance sheet sur-  
 31st, 1992, and allocation of results;  
 • Discharge to the Directors in respect  
 fiscal year ended December 31st, 1992;  
 • Re-election of the Authorized Index;  
 • Miscellaneous.  
 The shareholders are advised that no quorum  
 that the decisions will be taken at the next  
 meeting. Each share is entitled to one vote  
 proxy.

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NOTES DUE 1996 (THE "NOTES") OF CHEMICAL BANKING CORPORATION (THE "COMPANY"):

NOTICE IS HEREBY GIVEN that the Company intends to and will record on the 1995-1996 Statement of Financial Condition, which are standing on the Redemption Date at a redemption price equal to 100% of the principal amount thereof together with any accrued and unpaid interest on the Redemption Date, the Notes upon the Notes shall cease to accrue on and after the Redemption Date.

Payment will be made on or after the Redemption Date upon presentation and surrender of the Note, together with all of the interest and appurtenant coupons maturing on or subsequent to the Redemption Date.

adent Auditor for a new term of one year.

on for the items of the agenda is required and  
ity of the shares present or represented at the  
r. A shareholder may act at any Meeting by

the specified offices of any of the Paying Agents listed below.

**Paying Agents**

<b>Chemical Bank</b> <b>Chemical Bank House</b> <b>180 Strand</b> <b>London, E.C. 2</b>	<b>Chemical Bank</b> <b>Tour Gar</b> <b>16 Place de l'Éri</b> <b>92021 Neuilly-sur-Seine</b>
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**By Mail:**  
Chemical Bank  
Debt Operations Department  
G.R. Station, P.O. Box 2862  
G.R. Station, P.O. Box 2862

For the professional investor.  
Trend Analysis Ltd  
Fleehes House, 32 Southgate Street  
Manchester, M2 3SE Tel: 0424 774087  
Tel 0362 879764

New York, New York 10116  
55 Water Street  
New York, New York  
 **CHEMICAL**

April 20, 1993

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**ATOMIC WEAPONRESEARCH, S.S. INC.**







INVESTMENT TRUSTS - Cont.

Notes	Price	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	298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هكذا من الأهل



**Transoak Capital Mgmt. (Guernsey) Ltd**  
This 90 Fund... \$12.91

**MANAGED FUNDS NOTES**

Potential are in place unless otherwise indicated as follows:  
discontinued \$ with no profits over the U.S. market  
for all buying programs. Prices of contracts  
invested funds subject to costs gains in  
a distribution  
investor's Single premium Insurance in D  
in Luxembourg as a 100% shareholder for  
investments in Europe. General Insurance  
includes all expenses except agent's Commission, a  
contract's 5% earnings report. If Supplement  
before January 1, 1991, the contract's 5%  
earnings report, a fixed column shows annual  
earnings increase and a column  
shows the amount of the increase.

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in Luxembourg as a 100% shareholder for  
investments in Europe. General Insurance  
includes all expenses except agent's Commission, a  
contract's 5% earnings report. If Supplement  
before January 1, 1991, the contract's 5%  
earnings report, a fixed column shows annual  
earnings increase and a column  
shows the amount of the increase.



## FOREIGN EXCHANGES

## Yen remains strong in Europe

THE YEN remained very strong in European trading yesterday after earlier reaching a new historic high against the dollar in Far Eastern markets, writes James Blyth.

The Japanese currency's value against the dollar soared by some 1.5 per cent in Monday's Tokyo trading, after President Bill Clinton said at the weekend that the yen's appreciation was helping to curb the US/Japanese trade imbalance.

Both the Japanese prime minister and finance minister tried to cool the yen's advance with comments throughout the day, and the Bank of Japan intervened on foreign exchange markets by buying the dollar.

However, the absence of any intervention from the US Federal Reserve helped to underpin the yen's advance. The yen's value against the dollar was up 1.5 per cent on Friday's London close.

In the last two months, the yen has rallied from around 140 to 150 against the dollar, and the Japanese currency opened even stronger in London at 151.70. It later closed at 151.10, some 1.5 per cent up on Friday's London close.

Both the US and Japan might re-think their positions if the yen's rise hurts Japanese exports and damages the economy.

"If, like the US, you are trying to get greater access to a market, the worst thing that can happen is that the market in question starts to weaken," said Mr. Hannah.

European trading was otherwise dominated by the slight weakening of the D-Mark against most currencies.

The Bank of France's decision to cut its intervention rate for the first time in five months concentrated expectations will, in turn, ease policy this week. It also underlined the market's confidence in the new French administration: the French franc closed at FF33.378 to the D-Mark from a previous FF33.375.

However, Miss Alison Cottrell of Midland Global Markets in London, the Bundesbank is unlikely to reduce its official rates this week because the repo rate level is so far above that of the discount rate. She also believes that the market should be wary of the forthcoming consumer price data in Germany. "A higher inflation figure might force the market to retrace," she said.

## EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	% Change	% Spread	Disparity
Italian Lira	1,000	-0.02	1.88	51
French Franc	100	-0.02	1.88	51
German Mark	100	-0.02	1.88	51
Spanish Peseta	166.67	-0.02	1.88	51
Portuguese Escudo	200	-0.02	1.88	51
Irish Punt	7.8756	-0.02	1.88	51
Greek Drachma	200	-0.02	1.88	51
Belgian Franc	133.33	-0.02	1.88	51
Dutch Guilder	100	-0.02	1.88	51
Austrian Schilling	13.7603	-0.02	1.88	51
Swedish Krona	100	-0.02	1.88	51
Norwegian Krone	100	-0.02	1.88	51
Finland Markka	100	-0.02	1.88	51
Denmark Krone	100	-0.02	1.88	51
UK Pound	100	-0.02	1.88	51

EU central bank set by the European Commission. Currencies are in ascending order of strength. Percentage change are for the week ending April 19. % Spread is the difference between the highest and lowest rates. % Disparity is the difference between the highest and lowest rates.

Source: European Central Bank. Data as at 12.00 on April 19, 1993.

Forward rates are for 12 months. All rates are for 12 months.

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## FINANCIAL FUTURES AND OPTIONS

## LIFE LONG TERM FUTURES OPTIONS

Strike	Call settlements			Put settlements			Strike	Call settlements			Put settlements		
Price	Jun	Sep	Jun	Jun	Sep	Jun	Price	Jun	Jun	Jun	Jun	Jun	Jun
100	2-55	2-59	0-09	1-03			9473	0.95	1.04	0.02	0.00	0.00	0.00
103	2-41	2-18	0-11	1-26			9500	0.42	0.42	0.00	0.00	0.00	0.00
105	1-19	1-48	0-11	0-56			9523	0.23	0.58	0.10	0.00	0.00	0.00
107	0-26	0-61	1-03	0-27			9550	0.09	0.38	0.21	0.10	0.10	0.10
108	0-16	0-41	1-44	0-33			9575	0.04	0.22	0.41	0.10	0.10	0.10
109	0-12	0-43	2-30	0-51			9600	0.02	0.12	0.64	0.10	0.10	0.10
108	0-05	0-30	3-23	4-38			9625	0.01	0.06	0.88	0.10	0.10	0.10
110	0-02	0-20	4-20	5-28			9650	0	0.02	1.12	0.10	0.10	0.10
Estimated volume total, Call: 2552 Put: 3794													
Estimated volume total, Call: 0 Put: 0													








## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

TECHNOLOGY THAT WORKS FOR LIFE

# Samsung Passino TV



Flat Square Tube  
NICAM Digital Stereo  
Well Shaped

**SAMSUNG**  
ELECTRONICS

Continued on next page

هكذا من الأهل



Continued from previous page									
1983	High	Low	Stock	Vol.	%	High	Low	Stock	Vol.
22	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
23	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
24	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
25	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
26	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
27	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
28	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
29	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
30	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
31	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
32	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
33	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
34	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
35	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
36	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
37	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
38	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
39	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
40	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
41	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
42	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
43	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
44	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
45	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
46	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
47	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
48	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
49	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
50	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
51	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
52	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
53	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
54	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
55	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
56	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
57	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
58	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
59	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
60	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
61	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
62	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	816
63	17 1/4	17 1/4	US Air	1.32	8.4	24	588	17 1/4	81

Stock										Stock													
Stock	Div.	Yld.	100s	High	Low	Last	Chng.	Stock	Div.	Yld.	100s	High	Low	Last	Chng.	Stock	Div.	Yld.	100s	High	Low	Last	Chng.
ADM/Trans	0.22	15	1608	173	177	177	+	Boards	0.80	12	718	27	284	284	+	Price Co	11	1889	283	29	29	+	
ACC Corp	0.12	25	923	144	134	134	+	Boards	0.28	18	24	84	84	79	-	Price Pet	7	183	54	44	44	+	
ACC Corp	0.12	25	923	144	134	134	+	Boards	0.28	18	24	84	84	79	-	Price Pet	7	183	54	44	44	+	
ACC Corp	0.12	25	923	144	134	134	+	Boards	0.28	18	24	84	84	79	-	Price Pet	7	183	54	44	44	+	
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ACC Corp	0.12	25	923	144	134	134	+	Boards	0.28	18	24	84	84	79	-	Price Pet	7	183	54	44	44	+	
ACC Corp	0.12	25	923	144	134	134	+																

## AMEX COMPOSITE PRICES


	FF	SV	High	Low	Close	Chng		FF	SV	High	Low	Close	Chng		FF	SV	High	Low	Close	Chng		FF	SV	High	Low	Close	Chng	
Stock	Dec.	1984	1984	1984	1984	1984	Stock	Dec.	1984	1984	1984	1984	1984	Stock	Dec.	1984	1984	1984	1984	1984	Stock	Dec.	1984	1984	1984	1984	1984	
Asian Corp	0.14	11	5	3	4	+	East Fish	0.31	15	108	8	12	+	Health On	14	31	3	3	3	+	Odori	0.24	27	518	243	233	233	233
Asahi	0.11	11	5	3	4	+	Comstock	0.30	59	4	12	12	+	Heartbeat	1	13	24	24	24	+	Pegasus II	0.19	27	181	181	181	181	181
Alpha Ind	30	1	70	1	1	+	Congreco	20	161	11	16	16	+	Index Co	0.15	30	110	110	110	+	Perf Art	0.26	27	31	31	31	31	31
Am Int	0.51	101	30	1	1	+	Delta	1.28	200	101	16	16	+	Normale	48	66	3	2	2	+	Pho Ltd	1.00	10	522	365	365	365	365
Amstar	0.34	112	30	1	1	+	Drown C	0.40	112	26	16	16	+	Normale	48	66	3	2	2	+	Pho Ltd	1.00	10	522	365	365	365	365
Amstar	0.10	59	60	1	1	+	Am Star	0.35	25	62	23	23	+	Normale	48	66	3	2	2	+	Pho Ltd	1.00	10	522	365	365	365	365
Amstar	0.10	59	60	1	1	+	Am Star	0.35	25	62	23	23	+	Normale	48	66	3	2	2	+	Pho Ltd	1.00	10	522	365	365	365	365
Amstar	0.10	59	60	1	1	+	Am Star	0.35	25	62	23	23	+	Normale	48	66	3	2	2	+	Pho Ltd	1.00	10	522	365	365	365	365
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Amstar	0.10	59	60	1	1	+	Am Star	0.35	25	62	23	23	+	Normale	48	66	3	2	2	+	Pho Ltd	1.00	10	522	365	365	365	365
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## AMERICA

## Intel declines sharply after court ruling

## Wall Street

US share prices fell across the board yesterday morning, bringing the main indices down from the record highs achieved at the end of last week, writes Patrick Harverson in New York.

At 1 pm, the Dow Jones Industrial Average was down 18.64 at 3,459.97. The more broadly based Standard & Poor's 500 was down 2.97 at 445.97, while the Amex composite was 0.95 lower at 413.97.

The Nasdaq composite fell 6.21 to 660.65 after a huge fall in Intel shares. Trading volume on the NYSE was 144m shares by 1 pm, and declines outnumbered rises by 1130 to 641.

Prices opened weaker, which did not surprise analysts. The Dow had advanced to a record close on Friday, but the gains were primarily a result of trading related to the monthly expiration of options contracts. Analysts noted that it is quite common for stocks to reverse direction on a Monday morning after an options-expiration rally in the previous session.

Although first quarter corporate earnings continued to pour in, affecting a number of issues, the spotlight was focused yesterday on technology stocks after a landmark court ruling by a federal judge on Friday.

The judge's decision to set aside the verdict reached last year in a copyright dispute between Advanced Micro Devices and Intel means AMD can now begin manufacturing a clone of Intel's top-selling 486 microprocessor chip while the two companies await a new trial.

News of the judgment sparked heavy and at times frantic trading in both issues. AMD jumped 4 to 28 1/2 in volume of 3m shares, while Intel, which is traded on the Nasdaq electronic market, plunged

11 1/2 to 98 1/2 in volume of 12.5m shares.

The 486 chip that AMD will begin cloning accounted for a substantial portion of Intel's \$2bn in first quarter revenues.

Chrysler fell 1 1/2 to 42 in volume of more than 2m shares in spite of news of first quarter profits that came in ahead of market expectations. Analysts put the decline down to profit-taking.

Leading airline stocks fell the most. Northwest Airlines fired the latest salvo in the fierce domestic price-cutting war when it slashed fares on some domestic and selected transatlantic routes by as much as 36 per cent. UAL dropped \$3 to 142 1/2, AMR gave up \$2 at 96 1/2 and Delta lost 1 1/2 at 56 1/2.

Wal-Mart rose 1 1/2 to 26 1/2 in volume of 2.5m shares as the retailing group rallied from its recent losses, which were spurred primarily by disappointing sales forecasts for 1993.

Chase Manhattan fell 1 1/2 to \$35 after the banking group said that it planned to raise \$750m through a stock offering.

## Canada

TORONTO eased slightly at midday, weighed down by the losses on Wall Street, but bristling with Canadian forest product stocks was noted. The TSE-300 index fell 7.06 to 3,644.80 in volume of 41m shares.

Active losers included Citi Corp, which slumped C\$37 to C\$38 1/2 after press comment which said that recent earnings estimates were aggressive.

## SOUTH AFRICA

Shares closed lower in slow, cautious trade after a day dominated by the funeral of Mr Chris Hani and an extensive work boycott. The overall index lost 5 to 3,558, industrials shed 34 to 4,333 but golds picked up 5 to 1,208.

## EUROPE

## Paris falls in spite of further interest rate cut

POLITICAL upheaval or the prospect of it vied with interest rate hopes in moving bourses yesterday, writes Our Markets Staff.

PARIS was largely unmoved by a further easing in intervention rates, preferring instead to concentrate on comments made by Mr Edouard Balladur, the prime minister, on Sunday in which he said that taxes, which he did not specify, may have to be raised in order to cut the budget deficit. This CAC-40 index closed 17.78 lower at 1,968.91 in thin turnover of some FF2.2bn.

Mr Andrew Shepherd-Barron, analyst at Kleinwort Benson, said that investors were looking for further interest rate cuts if the historically strong start to the year was not to peter out. However, he added, with the rate differential between France and Germany now at 60 basis points further cuts domestically were effectively ruled out until the Bundesbank moved once again.

Both Eurotunnel and Euro Disney featured heavy trading as the former delayed completion of the project and cut its revenue projection for 1994 and the latter was hit by further negative press articles and fears of higher staff costs.

Eurotunnel closed off FF1.30 or 3.4 per cent at FF737.35 while Euro Disney lost FF2.80 to FF71.80.

Lafarge was another heavy loser, down FF6.40 at FF357.60, after announcing that it was making a Pta36bn share swap bid for full control of Asland, Spain's second highest cement group, in which it has a 54 per cent stake.

MILAN maintained the higher trend established early in the session as exit polls published after the close of voting in the electoral reform referendum confirmed that the country was in the mood for change.

The Comit index rose 12.12 or 2.36 per cent to 526.38 as exit polls showed 83 per cent of voters in favour of reform.

"For the first time, investors can start looking at Italy on

the fundamentals rather than having to absorb an unnecessarily high political risk," said Mr Nicholas Potter at Credit Italiano International in London. "At last the door has been opened whereby tangible progress can be made towards a new style of government, within a sensible time table."

Generali, helped by buy recommendations from London brokers, rose L700 or 1.9 per cent to fix at L36,600 before adding a further L600 after hours. Fiat rose L169 to fix at L8,410 before rising to L6,510 after hours amid signs that it may voluntarily co-operate with magistrates investigating

the country's political corruption scandal.

FRANKFURT fixed upon the French repo rate move to speculate that the Bundesbank will make significant interest rate cuts on Thursday. The DAX rose 14.45 to 1,583.30, turnover climbing from DM4.8bn to DM6.1bn.

Foreign orders, and short-covering on the DTB futures market were reported for VW, Mannesmann and Veba, up DM5.80 to DM233.50, DM5.20 to DM265.70 and DM6.30 to DM394.20 respectively. Veba was also boosted by speculation that its PreussenElektra subsidiary might be floated on

## FT-SE Actuaries Share Indices

		THE EUROPEAN SERIES					
		Open	10.30	11.00	12.00	13.00	14.00
FT-SE Actuaries 100	1186.43	1187.33	1187.25	1188.40	1188.07	1188.54	1184.59
FT-SE Actuaries 200	1224.89	1224.55	1225.02	1225.28	1225.28	1224.19	1222.46
		Apr 18	Apr 15	Apr 14	Apr 13	Apr 8	
FT-SE Actuaries 100	1159.61	1156.40	1160.63	1157.54	1151.40		
FT-SE Actuaries 200	1217.23	1220.82	1223.50	1220.72	1211.26		

Base rates 1000 (GHS/GBP) 100 - 1186.25 200 - 1225.00 London 100 - 1184.59 200 - 1221.26

consecutive all-time high, although some profit-taking was evident during the afternoon. The Straits Times Industrial index rose 8.67 to 1,772.02, supported by institutional and retail buying, in volume of 403.4m shares. Prices peaked at an intraday record of 1,781.39.

SEOUL closed at its highest level for 20 months after individual investors actively bought financial shares in the wake of recently lowered interest rates. The composite index added 13.46 at 725.76. Turnover came to Won880bn, after Won471.6bn in Saturday's half-day session.

The market sustained a firm note established early in the session with buying of high-technology related shares. The buying spree then spread to the financial sector as steelmakers and carmakers took a rest from recent steep rises.

KARACHI, by contrast, dove to its lowest level since November 1991 after President Ghulam Ishaq Khan sacked the

reformist Prime Minister Nawaz Sharif. The 100-share index lost 36.98 to 1,069.78.

Mr Daniel Smaller, head of emerging markets at Lehman Brothers in London, said the market had fallen about 7 per cent over the last month as political worries grew. Mr Mudassar Malik, director of BMA Capital Management in Karachi, added that, while political uncertainty was likely to continue for the next couple of months, economic fundamentals remained strong with no shift in direction expected from a new administration.

HONG KONG saw profit-taking among bank shares. The Hang Seng index lost 17.0 at 6,690.15, after rising to 6,709.35. Turnover fell to HK\$4.08bn from HK\$4.55bn as investors became cautious ahead of the Sino-British talks on the colony's future, which begin on Thursday.

AUSTRALIA eased as investors took profits, the All Ordinaries index closing 6.8 off at 1,696.4 in turnover of A\$221.4m. Broker JB Were commented that falling bond yields and a cut in corporation tax, which has added some 7 per cent to eps expectations for 1993/94, have contributed to the 8.6 per cent rise in the index over the last quarter.

KUALA LUMPUR's inexorable advance continued, the composite index gaining 2.93 at 664.95, after reaching 665.49.

Some analysts maintained that the market would consolidate this week after strong gains over the previous fortnight. Turnover remained very high, at M\$1.4bn.

TAIWAN recouped some of last week's losses on bargain hunting but some brokers said investors remained unsettled because of the possibility of the US imposing trade sanctions in the near future. The weighted index rose 96.40 to 4,577.48 in T\$33.5m turnover.

BOMBAY turned lower in thin trading and the BSE index shed 38.63 to 2,261.15.

## ASIA PACIFIC

## Nikkei eases as Singapore hits another record high

## Tokyo

BUYING from government-managed public funds and arbitrageurs failed to offset the day's losses entirely, as the yen's appreciation against the dollar prompted profit-taking and kept investors cautious, writes Wayne Aponte in Tokyo.

The Nikkei average of 225 issues lost 185.52 at 20,112.34, after trading between a session low of 19,890.47 and an opening high of 20,254.08. The Topix index of all first section stocks shed 11.53 to 1,563.57, and in London the 15E/Nikkei 50 index eased 3.76 to 1,215.80.

Volume on the first section languished at an estimated 370m shares, down from Friday's 561m, and declines led rises by 771 to 263.

Investors held the sidelines before the Bank of Japan intervened to stabilise the yen's rise beyond ¥111 to the dollar. Mr Bill Clinton, the US president, mentioned a stronger yen as

one strategy to cut Japan's trade surplus, following a meeting on Friday with Mr Kichii Miyazawa, the Japanese prime minister, in Washington.

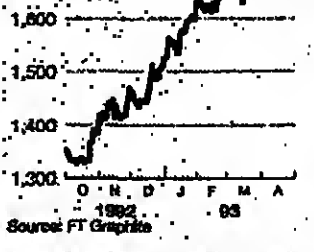
In spite of the session's low turnover, Mr Isao Takahashi, senior manager of equity trading at James Capel Pacific, predicted that more institutional investors will enter the stock market in the short term since the 20,000 level served as a firm support to this session and because some market participants had missed out on last week's rally. He added, however, that the Nikkei's upside is limited to around the 21,500 mark due to a lack of fundamental incentives.

The strengthening of the yen pressured exporting issues. Sony weakened ¥90 to ¥4,770 and TDK, the world's largest manufacturer of magnetic tapes, fell ¥90 to ¥3,980.

Sumitomo Metal and Mining, the most active stock for the third consecutive trading session, climbed ¥30 to ¥980 as

## Singapore

Straits Times Index



gold and platinum prices maintained high levels.

In Osaka, the OSE average shed 174.76 to 21,810.07 in volume of 20.3m shares.

## Roundup

PACIFIC Rim markets moved in widely divergent directions. SINGAPORE continued its record run, closing at a fourth

## Excitement in Hong Kong, Ireland

## MARKETS IN PERSPECTIVE

	% change in local currency			% change sterling			% change to US \$		
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1992	Start of 1991	Start of 1993	Start of 1992	Start of 1991
Austria	-2.09	-5.58	-18.48	+0.40	-0.59	+0.23			
Belgium	-0.02	+0.81	+8.19	+14.69	+13.76	+14.69			
Denmark	+2.76	+1.11	-12.30	+12.40	+12.95	+13.89			
Finland	-0.06	+8.12	+38.83	+29.39	+18.85	+20.84			
France	+0.09	+1.50	+1.48	+8.13	+9.89	+10.58			
Germany	+1.63	-0.57	-5.85	+10.29	+8.75	+10.70			
Ireland	+5.09	+8.56	+12.96	+34.20	+23.99	+25.02			
Italy	+0.53	+5.66	+10.64	+20.34	+14.05	+15.00			
Netherlands	-0.17	+0.77	+7.87	+12.36	+11.88	+12.79			
Norway	-0.82	-1.73	-3.83	+10.81	+11.19	+12.11			
Spain	+1.71	+1.15	-3.49	+12.54	+8.42	+10.33			
Sweden	+0.18	-1.08	+10.76	+4.69	-2.13	-1.52			
Switzerland	-0.98	-0.61	+16.16	+5.25	+4.65	+4.50			
UK	+0.20	-2.58	+8.11	+0.34	+0.34	+1.17			
EUROPE	+0.46	-0.58	+4.75	+6.24	+6.26				
Australia	+2.55	+1.24	+5.04	+8.62	+13.32	+14.26			
Hong Kong	+8.43	+8.27	+26.37	+20.57	+18.75	+20.74			
Japan	-0.25	+10.17	+16.26	+18.80	+30.64	+31.71			
Malaysia	+1.87	+6.73	+29.96	+12.72	+13.27	+14.20			
New Zealand	+1.12	-1.43	+9.13	+4.15	+8.17	+9.07			
Singapore	+2.03	+5.04	+13.05	+8.74	+8.81	+9.71			
Canada	+1.02	-0.12	+0.90	+5.78	+5.95	+6.83			
USA	+1.81	-0.19	+8.25	+2.82	+2.08	+2.92			
Mexico	-1.24	+5.41	-4.18	-1.19	-0.95	-0.13			
South Africa	-1.30	+1.66	+4.23	+11.23	+10.22	+11.12			
WORLD INDEX	+0.82	+2.84	+9.90	+8.85	+10.75	+11.67			

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## By William Cochrane

Last week featured bullishness in the US, sheer excitement in Asia and a reward for economic consistency in Ireland. A 1.6 per cent gain in the US was the main reason why the FT-Actuaries World Index rose by 0.8 per cent in local currency terms.

In New York, share prices began by moving higher in tandem with government bonds as consumer and producer prices data allayed fears that inflationary pressures had been building up in the economy. Last Friday, bonds declined but equities rose again, pushed up this time by company results.

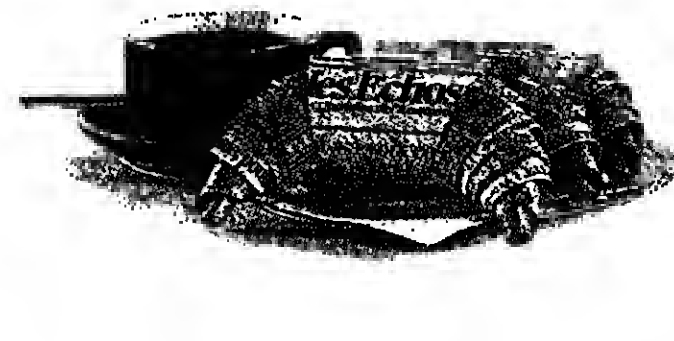
Hong Kong had its best gains on Tuesday and Wednesday, domestic trading bracketing a surge in London on the resumption of Sino-British talks on the colony's future. Share indices and turnover both hit record levels before easing back towards the end of the week.

In Europe, Ireland's 5.1 per cent advance on the week left

it with the best performance in the FT-Actuaries World Indices this year, a rise of 34.2 per cent in local currency terms.

The gains began in anticipation of a further interest rate cut last Friday. When this actually transpired, it was the seventh reduction in eight weeks, following the punt's devaluation in January, and subsequent cuts in German interest rates. In addition to the interest rate prospects, the market had indications of improved cash flow at domestic institutions, the placing of the government's 55m shares in Irish Life and a US bid for Fyffes, the fruit wholesaler.

On prospects, Mr Robbie Kelleher, head of research at Davy Stockbrokers in Dublin, thinks that the market is still attractive on a strategic time frame, valued at 18 1/2 times earnings for 1993 and a prospective 19 1/2 for 1993. In London, Mr Adrian O'Connell at Dillon Read reckons, however, that significant undervaluations in the big blue chips have disappeared, and that attention will turn to second line stocks from now on.



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